

# PROFIT ■ SHARING By AMERICAN EMPLOYERS

♦ ♦ ♦  
*Examples  
from  
England  
Types  
in  
France*

*Profit Sharing Department  
The National Civic Federation  
Headquarters Thirty Third Floor  
Metropolitan Tower  
New York City*





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## INTRODUCTION.

In 1916, The National Civic Federation published the first edition of this work. Its preparation required a laborious investigation, followed by analyses of more than two hundred plans by which in this country payments beyond regular wages were being made to wage-earners. A constant aim in the inquiry was an accurate and unbiased statement of facts. The resultant material was published with the intention of meeting a demand, especially from managers of manufacturing establishments, for testimony as to wherein and why profit sharing had been successful or unsuccessful.

The entire edition of the volume issued was soon exhausted, and there has been an unsatisfied call for it ever since. A new edition has therefore been prepared, with numerous additions. In fact the present is not so much a revised edition as it is a new book. Most of the contents is new. Plan and arrangement have been changed. At least half the pages of the 1916 edition have been omitted, while the added new matter amounts to double or triple the pages canceled.

The book is one for to-day and of to-day. Its facts have been contributed by men active in the affairs of to-day. In its pages, a man known, by name and by reason of his sociological views, to all the others joining in the discussion through their written statements, presents before the country the principles of an industrial project which he believes helpful to labor as well as capital. In reply comes from far and wide testimony for and against that project, a fact which at least proves a widespread lively interest in it as a topic of the day. Reading the statements of fact and opinion thus educed one becomes a spectator in a forum in the discussions of which each speaker, giving his name, comes out into the open and relates his experiences with his own or his company's plan. He tells of his hopes and expectations and finally offers his judgment as to the weaknesses or points of strength in the methods he, as a closely interested observer, has seen tried. Some contributors are enthusiastic over their successes; some



are resigned to having their plans work passably well; others are uncertain as to the outcome, and still others have frankly abandoned plan and principle. But all bring to the general attention the practical side of the question. They exhibit actual experiments now going on in business and industrial life.

There is no worked-over library goods in these pages. Every paragraph relates to present activities in the production of material things affecting human existence. The testimony, mostly from managers of companies and wage-workers' spokesmen, has direct relation to an important phase of the big labor problem. The inquiry common to all is the shortest and best cut to certain practical objectives. The results desired are maximum production with minimum waste, increased satisfaction to both employers and employees, steps in the activities of trade and manufacture toward a more highly civilized society.

Statements of specific plans have been furnished as a rule by the leading men of the firms or companies concerned. Little or no dependence has been placed on second-hand information. It is, therefore, a certainty that the statements on behalf of the employers are not only reliable but the best obtainable. As to the views of the employees affected, especially those of the masses of the lowest paid workers, authorized expression is impossible, since profit sharing undertakings are nearly all carried on by employers of unorganized labor. On behalf of the trade unions, their spokesmen have presented their dissection of the general principle of profit sharing rather than an analysis of the plan of any particular establishment. Organized labor's representatives are unanimous in opposing the general theory and practice of profit sharing, as is seen by the statements in the chapter "Attitude of Trade Unionists." Whether their hostile attitude is in any measure shared by the mass of unorganized workers is an unanswered question. But it cannot be assumed that the latter would have much interest in the reasons urged against it by organized workers.

As to the value of profit sharing experiments, the following paragraphs from the introduction of our 1916 edition can here be pertinently reproduced:

“Neither should the considerable percentage of dubious results shown by this inquiry lead to the sweeping conclusion that all profit sharing experiments are worthless. Many of them, from the standpoint of special local conditions or by contrast with some previous order of things, no doubt show a net improvement in the welfare of the employees affected and the morale of the plants. The real significance, both of the organized labor attitude and of the proportion of failures and doubtful results, lies in their bearing upon the possible value of profit sharing as an industrial remedy of general application.

“This in turn involves consideration of the fear of organized labor that the employers’ real interest in profit sharing lies in its alleged usefulness as a means to weaken and disrupt the trade unions, and that with this once accomplished the employing interests would be free to regulate wages and hours to suit themselves, with no effective equality of bargaining power left in the hands of the workers.

“Such, at any rate, is the labor attitude as expressed by trade union representatives. It is not within the scope of the present inquiry to examine the merits of organized labor’s objections to profit sharing, nor to determine whether the interests of labor generally would be safer under profit sharing than with the economic power of organization in its own hands. This is a very large problem in itself, second to few others in its bearing upon the future of our industrial and social institutions. Its gravity should be borne in mind in any consideration of proposed substitutes for the means which so important an element of the wage-earning class has considered necessary to secure its rights and advance its welfare, ever since the beginnings of the modern industrial system.”

The import of the testimony as a whole in this work carries the reader to one general conclusion: The personality of the conductor may lead to great good in a faulty plan and it may bring ruin to a sound plan. More than mechanism must enter into profit sharing. Whether efficiency is the aim, or philanthropy, or aloofness from the “labor movement,” or paving the way to a better society, what is requisite is the leadership of a strong, wise, patient and practical character, especially during first steps.



While for convenience, the classification of the book is in chapters on percentage of profits, special distributions, stock ownership and exceptional, abandoned and proposed plans, etc., the fact is that few of the plans are distinctly and wholly in one or the other of these divisions. Many are not, accurately, even profit sharing plans. The variety presented tells the fact that if there is to be a science of pure profit sharing few employers have arrived at a clear perception of its true principles and logical practices. No reason this, of course, for its advocates to weaken in promoting their ideals. Different conditions may give rise to permanent variations in details. Meantime, by reading the interesting experiences of their collaborators, many of the contributors to these pages may learn what is not—as well as what is—profit sharing.

It may be ventured that there is point to every one of the letters in this publication. There is no monotonous reiteration of one method of treatment, or of one accepted prescription, for the industrial ailment of unrest. Nor is there one invariable code of rules and regulations for establishing justice in all industries alike in the division of profits. There is not only a dissection of business and industrial undertakings in their relation to labor, but there is multifarious presentation of particular phases of the subject. The hundreds of letters received in the offices of the publishers of this work testify that the subject is of intense interest not only to men at the head of productive or distributive enterprises but also to labor representatives, instructors at institutions of learning and leaders of thought among churchmen.

The reader of these pages will necessarily have in mind, in comparing the 1916 descriptions with those of 1919, and noting changes in methods where these have taken place, that the intervening years have been a period of war. Bonus payments for the day, the week, the month or the year, or even for piece work, have multiplied. Wages and salaries have mounted, in peaks, irregularly. From June, 1914, to October, 1919, the average increase in New York factory office salaries was 41% as compared with 92% for all factory shop wages. The pressure of the increasing cost of living, of the augmented strength of trade unionism, of the competition of employers for wage-workers, brought to profit sharers baffling questions non-existent in time of peace. Yet despite this situation, the

evidence as here printed does not support the assertion, made by the author of a particular plan, that "hardly a single plan that was in use five years ago is still in use in anything like the application or method with which it was started." It is true, however, that certain of the establishments noticed in the edition of 1916 have sent in no reports for the present edition, and therefore mention of them is omitted. Every reader of this work—it is assumed that those who read it will be both interested and competent to form their own judgment—will, as he proceeds, make his own analyses of the actualities of the testimony. No detailed analysis is attempted in this introduction in view of the room for differences in conclusions.

In general the advocates of profit sharing emphasize these arguments: It promotes more continuous service; reduces cost of production; secures more regular attendance at work; builds up confidence and creates a spirit of co-operation; gets rid of rolling stones; encourages home building; enables a company to keep its employees during rush seasons; keeps down expenses; induces salesmen as well as others interested to work harder; promotes efficiency, interest and loyalty; and increases the profits of the business. On the other hand, disappointment is thus expressed: The efforts of employers were not appreciated by the men; they seemed to prefer their total earnings in fixed wages with no variable element; they were suspicious of the employer's motives; they insisted upon joining unions and presenting demands in spite of the employer's efforts to give them a share in the extra gains of the business; when stock was sold to employees upon favorable terms they would dispose of it on a profit when its value rose, and so get the habit of watching the stock market; when the profit distribution was large the employees learned to expect a similar bonanza every year, and were disgruntled if they did not get it, to say nothing of their discontent if conditions forbade any extra payment at all; and all schemes of this sort are necessarily complicated and hard to understand, so that the workers, especially of the less intelligent grades, are not easily convinced that the system really benefits them and isn't merely a device to withhold a part of what they might otherwise demand and get.



However, if "the sort of profit sharing that is practiced between partners in business" is to be followed in the methods of profit sharing between employers and employees, the books of the employers must be open to representatives of the employees, so that grounds of mistrust as to what the profits really are may be removed, and when that stage of clearing the way to declaring the funds to be divided is reached many of the difficulties in winning the confidence of the wage-workers are overcome.

Indications of the prominence which profit sharing is taking at the present time is seen by the attention given the subject by leaders in finance and business and consequent newspaper notice. Mr. Perkins' "The Workers' Fair Share," and his article on the question in the "Rotarian Magazine," brought out a wave of editorial comment throughout the country.

No effort has been made by the publishers to include information relating to the welfare methods now so common to many American companies, nor have the so-called democratic plans been included. But in many of the reports the facts as to welfare in connection with profit sharing have been permitted to remain, as exhibiting the entire policy of the establishments in question.

Several hundred newspaper reports of Christmas or New Year bonus gifts have been collected by the publishers, but accounts of them do not properly find place in the records of profit sharing.

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A publication of the full details of the plans described in this volume would require at least three times its present bulk. Mention is usually made of the issue of pamphlets or other printed matter in connection with the description of plans the minor provisions of which might interest certain of the readers.

For exhaustive reports upon profit sharing and labor co-partnership in the "United Kingdom" and upon the same subject "Abroad" those published by the British Board of Trade in 1912 and 1914, respectively, are the most valuable documents to be consulted. Both contain extensive bibliographies.

The "Labor Co-partnership Association," 6 Bloomsbury Square, London, the central authority on the subject, issues periodically much matter in print describing the progress of co-partnership in Great Britain.

Bulletin 208, December, 1916, Bureau of Labor Statistics, United States Department of Labor, "Profit Sharing in the United States," contains a "list of references (in English) on profit sharing." In the list are several hundred titles. A drawback to the 171 pages of reading matter in this bulletin is that while selected groups of plans are analyzed in detail, they are referred to by means of numbers, without giving the names of the firms or companies.

A "Report on Industrial Morale," issued by Fuller and Smith, advertising, Cleveland, contains a bibliography relating to profit sharing and other labor subjects of the present day.

Modern Business Report No. 14, "Profit Sharing," issued by Alexander Hamilton Institute, New York, 1919, gives analyses of seventeen prominent profit sharing plans of varying types.

## PROFIT SHARING:

*or, The Worker's Fair Share.*

GEORGE W. PERKINS.

(Address before The National Civic Federation, September 11, 1919.)

"The worker's fair share" has been a real problem ever since the world began. It has changed greatly as civilization has progressed, and has crowded harder and harder for solution as intelligence and education have spread and broadened.

The worker's fair share was an unsolved problem when the expression that designated the relationship between the man of capital and the man of labor was "owner and slave."

It still existed when the expression of relationship became "master and man."

It still exists in these days, when the expression of relationship is "employer and employee."

These very changes in the expressions used to designate the relationship between capital and labor show that steady progress has been made toward solving the problem of the worker's fair share.

I take it that everyone believes that we cannot go back to the old conditions; that we must move forward to an even better relationship than that expressed by the term "employer and employee."

You ask: "What is this newer relationship to be and what term will express it?" I answer that I believe it must be "partners."

If I am right, then the next question is how can this relationship be worked out so as to bring the best results to all concerned?

This problem has greatly interested me for thirty years. I have studied it earnestly, not from books, but from experience obtained in the hard knocks of everyday work in the various business undertakings with which I have been connected.

Twenty-five years ago I became convinced that only through profit sharing that was real, honest and open could



we hope to find anything like a satisfactory and permanent method of arriving at the worker's fair share.

Ever since that time I have improved every opportunity to spread the gospel of profit sharing and to have its principles adopted by business organizations, and I have greatly appreciated the honor of serving as chairman of your profit sharing committee since it was organized.

I recall that I read a profit sharing paper before this organization about twelve years ago, and I find little, if anything, to change in the basic principles then laid down. I believe the work that has been accomplished meanwhile has been worth while and that the time is now ripe for us to push it harder than ever along constructive lines.

I have found that my views on profit sharing, and my beliefs as to how to apply it, differ radically from those of many other people; that the plans I have been instrumental in having adopted are very different in application and in results from many other so-called profit sharing plans. I want, if possible, to point out wherein these differences lie.

### PROFIT SHARING NOT PHILANTHROPY.

In the first place, I do not look upon profit sharing as philanthropy or a form of benevolence.

I do not put it in the same class with gifts at Christmas-time or bonuses at the end of the year. I do not approve or believe in any plan that even savors of giving a man something for nothing.

I do not believe that any self-respecting man wants any such arrangement, and I do not believe that any broad-minded, self-respecting employer can, in the long run, afford to have any such arrangement.

The profit sharing I believe in is the kind that is real; the kind that promotes thorough and efficient co-operation between employer and employee; the kind that makes partners of employees; the sort of profit sharing that is practiced between partners in a business.

Anything short of this is bound to result in failure and will widen rather than narrow the breach between employer and employee.

Close observation, coupled with considerable experience, has convinced me that practically all the many failures in

profit sharing, both in this country and in Europe, have occurred because at bottom the plans were not honestly devised nor equitably worked out.

In nine cases out of ten, at some point in the practical application of the plans that have failed, the fact has developed that they were not mutually beneficial; they either did not enhance the efficiency of the men in such a way as to satisfy the employer, or else did not distribute profits in such a way as to benefit and satisfy the employees.

No partnership where the profits are shared by two or a half dozen partners could last any length of time unless mutually beneficial, and the same rule holds good in a larger partnership where the profits are shared among many partners.

No man or firm or corporation that is thinking of adopting profit sharing can hope for success, unless prepared to approach the subject in this spirit and deal with it in an absolutely honest, open and broad-minded manner.

As I have said, the relation between employer and employee has changed with the centuries.

Originally it was owner and slave; then it was master and man; now it is employer and employee, each stage of development bringing the employer and employee into closer co-operation. What has caused this change in relationship?

In my judgment the cause is found in the vast and broad educational forces that have been at work in the world.

Since we founded this country we have spent approximately as much money on our educational systems as on our railroad systems.

We consider our railroads financially successful if they earn dividends.

If our educational systems are successful the dividends we get from them are minds that think better, more clearly, more independently.

Right now, this country is getting such dividends from its vast investments in educational plants.

In the industrial world, in the relations between capital and labor, between employer and employee, we are getting these very dividends, and getting them direct and in cumulative fashion on the wage question.



In the past, the man who was not educated or trained to think independently struck because he wanted \$2 a day if he was only getting \$1.75; and for quite a period labor differences were settled on this basis.

I believe that we are rapidly passing out of that period, for our laboring people are so well educated and so able to think independently that, in many cases, they are no longer striking for a definite increase in wages, but for what they regard as a fairer proportion of the profits of the business in which they are engaged.

If I am right about this, then we are rapidly leaving behind the period when labor disputes could be settled by a mere increase in wages and are entering the period when profit sharing in some form must be practiced.

Therefore, the question is, how can it be practiced effectively?

#### OUTLINE OF A CORRECT PROFIT SHARING PLAN.

A good many years of actual experience have made me very optimistic regarding profit sharing plans worked out along the following lines:

*First.* Every business has, first of all, to earn operating expenses, depreciation, and fair returns on honest capitalization.

*Second.* I believe that every business should consider that the compensation paid employees is for the purpose of earning a sum of money sufficient to pay the above mentioned items.

*Third.* I believe that any profits over and above such sum should, on some percentage basis, be divided between the capital used in the business and the employees engaged in the business.

*Fourth.* I believe that in neither case should these profits be immediately withdrawn from the business; that they should be left in the business for a reasonable length of time, to protect and increase its financial strength and safety; that, in the case of capital, its share of these profits should be carried to surplus; that, in the case of employees, their share of these profits should be distributed to them in some form



of security representing an interest in the business, and that each employee should be required to hold such security for a reasonable length of time, say three to five years.

*Fifth.* I believe that the employee's share of these profits should be allotted to them as nearly as possible on the basis of the compensation they receive. Up to this date, this has proved to be the best method.

### RESULTS ATTAINED BY A PROPER PLAN.

Now, let us see what such a plan means: In the first place, it means that under such an arrangement each employee becomes a working partner in the business.

He is on the same footing as the financial partners, for if the concern is a partnership with, say, four or five members, the partners themselves are drawing out each year what, in a way, might be called salaries, viz., approximately the amount of money necessary to meet their general living expenses, leaving their surplus profits in the business.

Any partnership or any profit sharing plan that divided up the profits and withdrew them in cash at the end of every year could not last very long.

### WHY SOME PROFIT SHARING PLANS FAIL.

Many profit sharing plans have divided profits with employees on a cash basis and turned the money over to the employees every so often, usually once a year.

The result has been that if a man earning \$1,000 a year received \$200 at the end of the year from a profit sharing plan, he promptly lifted his living expenses from a \$1,000 basis to a \$1,200 basis, and began to look upon his income as \$1,200 rather than \$1,000, and the extra \$200 did little to increase his activity and efficiency, or to promote his intellectual efforts in the business concerned.

Then, if a period came when business was dull or poor and he did not get the extra \$200, he found fault with the owners of the business and became grouchy and inclined to lose interest in his work.

If he did not use the \$200 for his living expenses, he probably invested it in a suburban lot or in some stock that

was recommended to him, or in something that he knew little or nothing about.

Then, if his investment began to go wrong, he worried about it, and part of the time which he was being paid to devote to the business in which he was engaged would be expended in worrying about his investment in the business in which he was not engaged; whereas, if his money were invested in the business in which he was engaged, his desire to see his investment succeed and bring him further profits would be converted into efforts that would be of some practical benefit, not only to himself, but to the stockholders and his co-workers.

In short, little real substantial benefit comes from a profit sharing plan where the profits are paid out in cash, except perhaps where a man uses the money toward buying a home.

There is, therefore, a serious weakness somewhere in such a plan, and the weakness lies in the fact that profit sharing cannot be really beneficial, either for employer or employee, unless conducted on a partnership basis and coupled with profit saving.

Looking at it from the viewpoint of capital, the object to be accomplished through the adoption of profit sharing is added interest in the business on the part of employees, which in turn brings higher efficiency.

Looking at it from the standpoint of the employee, the object to be accomplished is a fairer remuneration for services rendered.

Therefore, any profit sharing plan that fails to accomplish both of these results breaks down sooner or later.

#### FULL PUBLICITY NEEDED ABOUT THE BUSINESS.

In establishing profit sharing it is of the utmost importance that the entire organization, the wage and salary earners, know in advance exactly what they are expected to accomplish.

I mean by this that, on entering a new year, they should know exactly what the preceding year's accomplishments have been. The annual statement of the concern should be full and explicit, so that every man engaged in the enterprise will know what business was done in the preceding year and on what basis profits were and are to be distributed.



An honest, detailed annual statement tells him officially what the profits were, if any, and this fixes a minimum goal for the coming year, which everyone, individually and collectively, will bend every energy to reach and exceed by as large an amount as possible.

Under such an arrangement as this, each man, in place of working solely for himself in his own department, will pass on to other departments any ideas that occur to him that might help that other department, and in that way benefit the organization as a whole.

In my judgment, some profit sharing plans are radically wrong in this respect. They distribute profits by departments or in some way other than on the basis of the company's success as a whole.

This narrows the vision of the individual, and he lacks the proper incentive to help wherever he can, whether in his own or another department.

The right kind of profit sharing offers definite goals that an organization, individually and as a whole, can buckle down and work for, and it is astonishing how such a plan of profit sharing will heighten the esprit de corps.

It removes petty jealousies; it makes a man eager to pass his ideas on to the man in the next department, and causes them to vie with one another to reach and exceed the figures reached in the preceding year.

A detailed annual report by the company is not only necessary to show the organization in prosperous years how the profits were arrived at and what they amounted to, but equally necessary in lean years to show how the losses were arrived at, what they amounted to and why there are no profits to distribute. Gradually, as the employees in the organization become part owners in the business, you broaden and deepen their interest in their work.

They begin to think and speak of the business as their business; they work for it as their business, not your business or somebody else's, and in place of "knocking" it they praise it and "boost" it in every way they can, for they have become part owners through being security holders and are receiving their interest or dividends at the same time and in the same manner as other security holders receive theirs.



In other words, once the employees become security holders, they share in interest or dividend distributions and other profits, not only as security holders but as employees.

### SOME OBJECTIONS TO THE PLAN ANSWERED.

Many people have said to me: "Oh, but it takes a long while for a man who is only saving a small sum each year to acquire much of a financial interest in the concern by which he is employed."

I have always found that such criticism comes from someone who has not given sufficient thought to the subject, for a small interest means as much to the man having a comparatively small salary as a large interest does to the man of large affairs.

Let us summarize some of the advantages of this method of profit sharing:

*First.* It is real, it is genuine. The organization as a whole, and each individual in it, has a definite goal for the year's work.

They know at the beginning of the year how much money must be earned to cover what we will call fixed charges.

They know that they are being paid salaries to earn those fixed charges.

They know that they share in all profits over and above those fixed charges, and

They know the basis on which they share, and that the amount of such profits largely depends on the individual and collective effort of each individual in the organization.

This in itself is of great practical value to the business from a dollar-and-cent standpoint. There is no philanthropy about it.

The employees have a certain definite goal to reach. If they reach it they are paid a definite percentage for doing so.

It is a definite business proposition, based on the principle of profit sharing as practiced in partnerships.

*Second.* Having reached the goal set, the money over and above the salaries they are paid—in other words, their profits—are invested in the business in which they are engaged and on which their whole time and thought and energy should be centered.

What a great advantage this is to the employer, and what a spur and incentive to the employee!

What more valuable insurance policy could an employer have against a year of poor earnings?

What a real, genuine interest it arouses in the worker for the business in which he is engaged!

The whole atmosphere, the whole relationship is changed.

The employer need give little thought to whether or not his men are "soldiering" on him, whether or not they are really giving to their work the best that is in them; and the employee need spend little time wondering whether or not he is being properly compensated.

The whole relationship is placed on a new basis, not antagonistic, as heretofore, but co-operative.

This plan is vastly different from the one now practiced by which one set of men working in a business, viz., the capitalists and partners, leave most of their profits in the business, while another set of men, working shoulder to shoulder with them, viz., the employees, each year take their profits out of the business and put them somewhere else.

#### THE KIND OF A PROFIT SHARING THAT DOES HARM.

It is also vastly different from the many bonus schemes in vogue.

It differs greatly from the plan of arbitrarily setting aside, in a prosperous year, a certain lump sum of money and dividing it on a percentage basis among the employees.

Under such an arrangement no man who gets any of the money has any very definite idea of what he did to earn it, what it represents, or what he individually can do to ensure the receipt of some such sum during the following year.

In fact, I am convinced that such bonus giving, erroneously called profit sharing, has done more harm than good, for in many instances it has caused employees to feel that said bonuses were given them because the business was earning fabulous sums of money, a tiny little bit of which was thrown to them as a sop to make them feel kindly disposed toward the owners, or in order to ward off a demand for a general increase in wages.

In short, such bonus giving simply stirs up trouble rather than alleviates it.



Profit sharing on the basis I favor is sometimes objected to by men or concerns who do not wish to let even their own employees know how little or how much money they are making each year.

To such men I always say (and each year I am more and more certain that I am right in saying it) that they are very short-sighted if they do not hasten to change their policy.

If they are not making enough money and the business is running on a close margin each year, then by all means they should set their situation before their men, adopt such a profit sharing plan as I have outlined, and get the genuine co-operation of every man toward increasing the profits and putting the business in a prosperous condition.

They are now paying wages and salaries, and many a night go home wondering whether the employees are really earning their salaries.

Under such a profit sharing plan as I have outlined they have a substantial guarantee that the salaries will be earned because in aiming to share in profits over and above fixed charges the men are all the more certain to earn at least the fixed charges.

And would any proprietor or manager hesitate to pay a handsome premium each year for an insurance policy guaranteeing that every employee in the business would have the business on his mind and work as hard for its success as the proprietor or manager does?

One more thought in this connection.

The man who is running on a small margin and making little profit may object to making his business affairs public property, on the ground that he would be putting a weapon into the hands of his competitors.

Such a man's best protection against his competitors is a loyal, closely knit organization of the highest efficiency, and this important advantage he can only secure through a bona fide profit sharing plan.

As for the man who is making so much money that he is afraid to let even his own employees know how much he is making, to that man I say that he is the man who, more than any other, is responsible for the serious differences to-day existing between capital and labor, for with the growing intelligence of the masses, how can he expect such a situation to continue?

Every year, yes, every day, it becomes clearer and clearer that such a condition will no longer be tolerated and must speedily pass away.

Would it not be better for him to use some intelligent foresight and meet what clearly are to be the immediate future demands of public opinion?

As for the man who is making large profits but who objects to profit sharing on the ground that he wants to put those profits away against the day when business may be poor.

To such a man I say that he had better use some of those profits to interest his men in his business more deeply and do this to such an extent that if the dark days come he can be pretty certain that his men will stand by the business in a way that capital alone never can.

Profit sharing on the basis I favor is also sometimes objected to by concerns whose securities are closely held. There are many ways to obviate this difficulty.

Some concerns can increase their capital.

Others that cannot, or that cannot do so for a time, can obviate the difficulty by issuing certificates of participation that will draw the same percentage of profit as the regular securities of the business.

In other words, where there is a genuine desire to share profits a way can always be found.

The day of secretive methods is passing rapidly. The day of publicity is at hand. The change is a perfectly natural evolution due to broader education and improved intercommunication and has also come about because it is second nature to be less suspicious and afraid of that which is known than of that which is unknown.

Any profit sharing plan without an open, honest balance sheet and detailed annual report will never succeed.

I am convinced that labor is entirely willing that capital should have its fair reward and proper protection, but in this country we have had too many instances where capital had demanded improper protection and taken exorbitant reward; and one of the main reasons why the serious problems confronting us to-day are so difficult of solution lies in the fact that too many men of capital are still arrogant and unreasonable, and absolutely unwilling to look with sufficient care and fairness into the causes that are producing the views and opinions so largely held by our people at this time.



On the other hand, one of the most serious drawbacks to increased output and economical production is the listless, indifferent service rendered by a large percentage of employees.

Making partners of employees, through profit sharing, would correct this as nothing else could.

### PROFIT SHARING THAT HAS BEEN A SUCCESS.

Some companies with which I am connected have realized the trend of the times and have for some time been practicing profit sharing along the lines I have indicated.

They believed that profit sharing plans based on such principles would so knit their vast organizations together, and would so strengthen and develop the esprit de corps as to make it possible for the companies to increase their business and their earnings; and they were willing to share this increased success with their employees.

So far they have every reason to congratulate themselves on the results.

In all parts of their business, at home and abroad, in the office force, in the factories, in the sales department, everywhere, the individual employee's interest in the business is much greater than formerly.

The saving in waste everywhere is noticeable.

The employees are vieing with one another more and more to improve their respective and other branches of the business.

All this means success for the company, profits for the stockholders, extra compensation for the employees.

It means getting men on salaries and wages to have a live, keen interest in the management of the business.

It means getting an organization of men to work as real partners.

It means recognizing the right of the employee to a fairer share of the earnings of the business in which he is engaged.

In short, it means co-operation that is complete, in that it benefits stockholder, employer and employee.

While all this can more readily be accomplished in a large business, it can also be successfully accomplished in a small business if approached in the proper spirit; and if applied generally it would remove to a considerable degree

the dangers that are menacing modern industry, and which are largely caused by the feeling on the part of the masses that, through wages, they are not getting their proper proportion of the money earned in a given industry.

An industrial democracy of the most ideal sort is found in true profit sharing; an industrial democracy that makes real partners of capital and labor, and yet preserves the right of private property; that preserves and promotes the great business asset that comes from individual initiative; that retains the capitalist's incentive to enterprise, while giving the worker a new inspiration for effort that humanizes large organizations of men; that promotes good will and industrial peace.

All these things this country of ours needs now as never before.

The shelves of the world are bare. The entire world needs supplies—supplies of food, clothing, building material, everything.

As long as the supply of these things is so low and the demand for them all over the world is so great, the cost to the consumer will remain high.

Therefore, one of the surest paths leading to a reduction in cost to the consumer is to raise and manufacture a large supply of these necessities as quickly as possible.

Linked with the desire to supply ourselves with food, clothing and other necessities at low cost is our desire to furnish the world with these and other articles, in order to extend our trade and foster the prosperity of our people as a whole.

But as practically every other nation hopes to secure a large part of this trade for herself, is it not a certainty that competition among the nations will be keener and sharper in the immediate future than it has ever been in the history of the world?

How can we possibly meet this increased competition if we are divided among ourselves?

Could there be two more potent reasons why we Americans should have the closest possible co-operation between capital and labor?

Could anything bring higher efficiency, greater production?



The only way to secure this co-operation in the highest degree is by eliminating the distrust that has existed between capital and labor for so many years, and establishing confidence in its place.

Nothing will do this except frank, open dealing, publicity as to earnings and a fair division of earnings.

Since the beginning of time, no country has ever had such an opportunity to extend its trade, increase its prosperity and better the material condition of every one of its people as has the United States of America at this very hour.

The only factor missing is that of close co-operation here at home among ourselves.

It seems inconceivable that we will fail to realize where our weakness lies and fail to adopt the one and only remedy for it.

In the strenuous competition with the rest of the world that this country is on the eve of facing, could we have a stronger weapon than complete co-operation between capital and labor at home?

## DEFINITION OF PROFIT SHARING.

As long ago as 1889, an International Congress on Profit Sharing was held at Paris, which was largely attended. At that meeting a resolution was passed, defining profit sharing in the following terms:

“The International Congress is of the opinion that the agreement, freely entered into, by which the employee receives a share, fixed in advance, of the profits, is in harmony with equity and with the essential principles underlying all legislation.”

This definition was adopted by the International Co-operative Congress held in Delft in 1897, reiterated by the International Congress on Profit Sharing held in Paris in 1900, and is to-day the generally accepted definition of true profit sharing.

The International Co-operative Congress held in Paris in 1896 appointed a special committee to report on the exact meaning of the term PROFIT SHARING, and the report of the committee submitted to the Delft Congress in 1897, embodying the above definition, also stated:

“With respect to the ‘agreement’ mentioned in the definition, the committee considers that while an agreement binding in law is the normal form, it does not exclude cases in which the agreement has only a moral obligation, provided that this agreement is, in fact, honorably carried out.

“By a ‘share’ in profits is meant a sum paid to an employee, in addition to his wages, out of the profits, the amount of which is dependent on the amount of these profits. If an employer undertakes, for example, to contribute to a pension fund £1 for every £2 contributed by his workmen, this is not a case of profit sharing, unless the undertaking is to pay out of profits only, because the sum payable under the agreement does not depend upon the amount of the year’s profits.

“With respect to the ‘profits’ a share in which is, under a profit sharing scheme, allotted to the employees, these profits are, in the opinion of the committee, to be under-



stood as the actual net balance of gain realized by the financial operations of the undertaking in relation to which the scheme exists. It is, therefore, necessary to point out that the payment of bonus on output, premiums proportionate to savings effected in production, commission on sales, and other systems under which the amount of the bonus depends upon the quality or amount of the output or volume of business, irrespective of the rate of profit earned, does not constitute profit sharing."

The *Encyclopedia Britannica* (Eleventh Edition) defines it:

"*Profit Sharing* (*i. e.*, between employer and employee) a method of remunerating labor under which the employees receive in addition to ordinary wages a share of the profit which the business realizes. The term is not infrequently used loosely to include many forms of addition to ordinary wages, such as bonus on output or quality, gain sharing and product bearing. Yet strictly where an employee or group works for a share of the products, or is paid so much in addition to ordinary wages in proportion as the product exceeds a certain standard, in neither of these cases have we profit sharing, for the net result of the business may be a large profit or a small one or a loss and the employee is unaffected. In the same way if a workman is employed on the basis that if in doing a particular job he saves something out of a stipulated time or labor, or a stipulated amount of material, he shall receive in addition to ordinary wages a proportion of the value so saved, that is technically gain sharing, not profit sharing. Even where the bonus depends strictly on profit, it is not reckoned as profit sharing if it is confined to the leading employees.

"An agreement is the essence of the matter. It is not profit sharing where an employer takes something from his profits at his own will and pleasure and gives it to his employees."

While the principle of profit sharing in some form or other is undoubtedly of ancient origin, it was not until the year 1842 at Paris, France, that "profit sharing" in its strict sense was definitely applied to a commercial enterprise, in a house-painting establishment known as the *Maison Leclaire*. A sketch of this pioneer venture is given in another chapter.

## PERCENTAGE OF PROFITS.

Under this classification the plans in general are based, more or less indefinitely, upon "percentage of profits." In very few cases, however, is the percentage "fixed in advance" as prescribed by the standard definition already given for precise guidance. In some instances the percentage is determined when the results of the season's or the year's profits have been ascertained; in others fixed rates of interest or dividend on capital are reserved and the entire balance of surplus earnings divided between stockholders and employees. In the case of establishments having different methods of rewarding employees beyond wage and salary—by bonuses, pensions, insurance or otherwise—they have been placed in the following list if the larger portion of the share for the employees seemed to be divided by the percentage method.

[The date (1916) indicates that the printed matter following appeared in the edition of this book for that year; (1919) or (1920) indicates the date of the new report. A date in a sub-heading indicates the year in which the experiment under notice began.]

### AMERICAN LIGHT AND TRACTION COMPANY.

#### NEW YORK CITY.

(1916) This company controls a number of lighting and traction properties throughout the country, and several of these share profits with their employees. It is stated that none of the companies which have once introduced profit sharing has ever abandoned it, although some of them have since been sold to other interests. In the case of one company, acquired about ten years ago, a strike occurred before the property had been under the new ownership long enough to entitle the men to receive wage dividends, and therefore none was paid. In another instance, it is stated that the wages prevailing at the time the plant was acquired were higher than those paid to employees of other properties, even with a wage dividend added, and accordingly profit sharing was



not established in this case. The number of employees affected by profit sharing in all the auxiliary companies where the plan is in operation is estimated at 7,000.

Mr. Emerson McMillin, formerly president of all these companies, states that the only weakness which has developed in the wage-dividend plan, in his judgment, has arisen from the local policy adopted in certain cases of continuing dividends to the employees without change, in years when circumstances compelled a reduction in the rate paid to stockholders, the theory of all these plans being an equal percentage to both. This action, growing out of sympathetic consideration for the men, nevertheless destroyed the spirit of the plan and led the employees to regard the dividend as a part of their wages, encouraging the idea that it did not matter whether good and intelligent service were rendered or not, the bonus would be received just the same.

A wage dividend plan typical in most respects to those of all the affiliated companies is that of the Grand Rapids Gas Light Company. Since 1899 this company has paid semi-annual dividends on the wages of employees at a percentage at least equal to that declared on the company's stock for the same period. The intent was declared to be the rewarding of continuous and faithful service, and in order to participate employees must have been in the service at least 18 months preceding the payment of the extra award. The directors reserved the right to determine when, to whom and how these payments should be made, and to discontinue the plan at any time. Employees who resign or are discharged for cause do not share in the distribution for the half year. The plan at first excluded all executive officers, but several changes have been made in this respect, and at present the secretary, treasurer and general manager are entitled to participate. The wage dividends paid under this plan have ranged from 6 to 10% per annum.

There is also in effect a stock subscription plan, under which the officers and heads of departments of the American Light and Traction Company and of the auxiliary properties are enabled to purchase common stock of their respective companies at a little less than the market price, and to pay for it in quarterly instalments. These payments must aggregate a sum that will equal 10% of the subscriber's annual

salary, and the purchase must be completed within and extend over a period of ten years. The company retains the stock in the subscriber's name until it is paid for in full, charging 5% interest on the unpaid balances during the purchase period. Dividends declared otherwise than in cash, such as stock dividends, if any, are retained by the company for delivery to the employee when he has completed the payments which entitle him to receive the stock subscribed for, but cash dividends are paid direct to the subscriber. It is stated that some of the beneficiaries have in this way obtained stock upon which their dividends now exceed their salaries, and that the plan is wholly successful.

(1919) Emerson McMillin, September 4:

"The scheme of paying the workmen a dividend—computed on their earnings, at the same time and rate per annum as is paid to stockholders—is still in vogue in the companies owned by this firm for many years. It is not so extensively applied now as it was some years ago, as it has not been applied to the more recent purchases, and several companies where it was in vogue originally have been sold off.

"The plan was of great value for a long time, but of recent years it has not proved of benefit. It has failed through the failure of local boards and managers to adhere strictly to the terms of the plan. The object was to interest the workmen in securing the largest net earnings, which of course gave them the largest pay. Through sympathy with the workmen in dull times, however, the local boards and managers fell into the habit of continuing to pay the employees the same dividend when the earnings fell off and stockholders' dividends were reduced or ceased. The result has been that with the passing years the employees lost their interest in earnings and came to regard their dividends as part of their regular pay. The failure has thus been due entirely to the mistaken ideas of the companies and not to any fault of the plan or of the workmen.

"No new system has been introduced since 1916. There are probably 10,000 workmen employed in this organization, and perhaps half of them are still getting dividends. Dividends are paid to managers and all below them, but not to presidents of companies.



“In addition to the above, stock of the American Light and Traction Company was sold to all officers—presidents, vice-presidents, general managers, engineers, secretaries, treasurers, etc.—on ten years’ time, at par, and they were required to pay off one-tenth each year, being charged 5% interest, and receiving all dividends on the stock. In some instances the officers’ dividends have been worth more than the salaries they received.”

### AMERICAN MANUFACTURING CONCERN.

WOOD NOVELTIES. FALCONER, N. Y.

(1916) The directors of this company announced a profit sharing plan as follows:

Ten per cent. of the net earnings of the company will be paid to factory and office employees receiving less than \$100 per month on the following basis, viz.: One-third of this amount will be distributed pro rata among the foremen of departments. The balance of two-thirds will be distributed pro rata among all other employees who have been continuously in the service of the company for one year or more. Payment will be made after the inventory is taken and the books for the calendar year are closed. Checks will be included in the pay envelopes for the first pay day in May following the year in which the profits are made.

(1919) The company’s profit sharing plan as dated December 24, 1915, is still in effect. For 1919 the question was put to the vote of the foremen as to whether this plan should be eliminated and some other substituted. It was voted that this plan be retained. The average number of the employees is 190, the number that participate in the plan about 90.

### THE AMERICAN ROLLING MILL COMPANY.

MIDDLETOWN, OHIO. 1909.

(1916) This plan applies to heads of departments and all salaried employees receiving \$100 or more per month. Employees affected by this plan who are in the service of the

company on July 1, the beginning of its fiscal year, with every intention of so continuing, and whose record covering their past year's work is satisfactory to the board of managing officers, are permitted to participate in the "net profits" of the company to the extent of a specified percentage (say, for instance, one-tenth of 1%), the amount being fixed separately in each case in proportion to the duties and responsibilities of the position held.

By "net profits" the company means the net amount available after all fixed charges, reserve funds, depreciation and dividends or interest on preferred securities have been reserved or paid. Amounts due employees under this plan are payable in cash on the day preceding Thanksgiving.

*Conditional Bonus.*—All salaried employees not included in the percentage of profits plan are paid a certain percentage on yearly salaries, based on term and character of service. Term of service means continuous uninterrupted service.

All salaried employees of the company, as described above, who are in its service on July 1 of each year, whose work has been satisfactory to their superior officers, who intend to remain in the service of the company for the ensuing year, and who have been with it continuously as salaried employees for at least 18 months and under two and one-half years, are allowed a sum equal to 5% on the amount of their salaries for the preceding year; those employed not less than two and one-half and under five years, 10%; not less than five and under ten years, 12½%; ten years or more, 15%.

The company states that the salaries are regulated after giving due consideration to term of service, responsibility of position, efficiency, loyalty and general ability shown in the discharge of duties assigned, and independent of any profit sharing plan.

(1919) George M. Verity, president, October 11:

"Our profit sharing plan covering salaried employees, as effective in 1916, is still in force with such slight modifications as have been made from year to year. It is now being entirely revised to cover a more limited group of individuals, and effecting changes in the method of distribution.



“As regards results, we feel that the plan has been satisfactory as far as the major portion of Armco men who have been affected by it are concerned. We do not feel that it has been entirely satisfactory as far as the lower salaried men are concerned, who have come into it from time to time on the old ‘salary limit’ basis.

“Our average number of employees is approximately 4,500, and the number of salaried men affected is approximately 225. Only slight changes have been made in the plan since 1916. All of its basic principles and benefits have been retained. Armco has never had any labor troubles in its 20 years of existence.

“Since 1916 we have inaugurated a plan for the sale of stock to members of our organization. The first allotment was made one year ago, and the second allotment is just now being offered. We are heartily in favor of any ‘sound plan’ for sale of stock to the employees of a corporation.

“We have been up to the present strongly in favor of profit sharing as a real incentive to effective co-operation. Due to the nature of our business, we have never been able to apply it to other than salaried men, but up to this time we always hoped that we might work out a plan affecting all of our employees. We are, however, rapidly coming to the conclusion that profit sharing plans, as heretofore applied and the principle of profit sharing as generally understood, is not desirable and, in fact, is not wanted by works employees. The average workman cannot understand it. What he does want is more direct compensation—the best that can be secured for the work he does. We are in favor of a wage system based on a good day’s wage for a good day’s work, with a bonus system that will provide additional compensation for production, efficiency, quality of product, up-keep of plant, etc. In other words, the producer can well afford to pay an additional compensation if the employee will interest himself in those vital problems.

“We feel that ‘profit sharing’ as a factor in ‘industrial stability’ is only one of many things that can be done, but that it is really not one of the most important things to be done. Neither profit sharing nor any one of the many things that can be done in the carrying out of a real programme of ‘mutual interest’ will be at all effective unless there is a foun-

dation stone of 'mutual confidence' between the members of an organization and the management. A condition of 'mutual confidence' cannot be secured through the immediate application of any plan or group of mutual interest plans. It can only be secured through years of co-operation and after both the management and their employees have had ample opportunity to prove the sincerity and good faith, each of the other. Industrial stability must be the result of evolution and not of revolution."

BALLARD & BALLARD COMPANY.

FLOUR MILLERS. LOUISVILLE, KY. 1886.

(1916) Employees who have worked for the company two years begin to participate in an amount equal to 10% of the net profits of the company for the previous year. They participate in this 10% dividend in proportion to wages received by them. Special provision is also made for a limited number of trusted employees who receive anywhere from 1 to 5% of the profits in addition to their salaries. The total distribution to employees amounts to about 46% of the net profits.

There is also an arrangement whereby the salaries of the employees are automatically increased from year to year, aside from the dividend plan.

The company reports that they have never had any labor troubles of their own and that, "while their plan does not reach the rank and file, so well as it does the foremen and heads of the departments, they still regard it as a very great advantage in their friendly relations with their men. There may be a very few of the younger or more recently employed men who do not seem to value this participation in the profits, but after a few years of service it seems to be of real value in retaining the loyalty of the men."

(1919) S. Thruston Ballard, September 23:

"While the firm considers it desirable for all of the workmen to share in the profits, it must be admitted that with the unskilled worker and the more or less casual worker, of course, the profits do not mean anything, and he is not part of the plan. Originally profits were distributed only to those



who had been in the employ of the firm for two years or more. Later that plan was modified and there is now no such limit.

“In these flour mills there are very few employees compared to the amount of the product and the value of the business, and therefore the management gets closer to the men than in many businesses where more workmen are employed, although apparently a much smaller business is done. For instance, there are in our plant only about 250 employees, whereas the business done amounts to from 20 to 30 carloads of product per day, and about \$10,000,000 a year. These details are given merely to show that plans could be pursued in this business which would not be applicable to many others. In this company practically all of the workmen are known by name, and there is an unusual amount of personal contact between the workers and the management.”

From a circular issued by the firm:

Regarding the profit sharing plan, our firm of Ballard & Ballard Company, in 1887, began the experiment of sharing 10% of its profits with its employees, part to the office force and part to the men in the mill. That 10% was gradually increased until before the war it amounted to about one-third of the profits before any dividend was made to the stockholders.

One-third went each to my brother and myself as stockholders, and the other third was divided among the office force and other employees of the mill in proportion to their salaries, and certain proportions of these profits being divided among the laborers, according to their wages. The amount given to each laborer usually amounted to from three to five weeks' wages.

During the war we were compelled to modify our plans, owing to the fact that we were not allowed, under the United States income laws, to deduct more than a certain proportion of our profits for the purpose of distribution, and therefore our office salaries for the last two years have not been on the profit sharing plan.

While all of our office men are absolutely loyal, so far as we know and believe, and while they are high class men, and most of them have been with us for years, still when we changed over from the profit sharing plan I thought I could notice some difference, and therefore I am firmly convinced that the profit sharing plan is a true system, not only for heads of departments and others in the office but for all labor employees as well.

## BARCALO MANUFACTURING COMPANY.

BRASS AND IRON BEDS, SPRINGS, MATTRESSES, HAMMOCKS, ETC.  
BUFFALO, N. Y.

(1916) This plan applies only to the principal employees; those who, next to the directors, are responsible for the activities of the company's affairs. They receive a percentage of all profits, and this is paid to them the last day of the year and before any of the earnings are set aside for regular dividend purposes.

Most of the 400 employees work under Taylor methods of scientific management.

(1919) E. J. Barcalo, president, October 9:

"There has been no change in our profit sharing plans, so called, since 1916."

## R. A. BARTLEY.

WHOLESALE GROCER. TOLEDO, OHIO. 1904.

(1916) The proprietor takes the legal rate of interest on his investment in the business as his share of the profits, after deducting his living expenses and a benevolent fund. The balance of the net profit is divided equally among all employees who have been in the service one year or over. The lowest salaried man receives the same share as the highest, and in 1914 this amounted to \$626 to each employee, in addition to salary. Since 1904 profits amounting to \$158,629.07 have been divided among the employees. In 1908 no profits were divided owing to losses by fire.

(1919) R. A. Bartley, September 4:

"There has been no change in the system pursued in 1916. The amount of money distributed last year was \$50,000, to which 49 employees were eligible. During the 15 years the amount distributed was \$322,894.57. The result has been very good. There were no changes in the force last year. The average number of employees is about 62. In addition to the profit sharing system, last year a pension system was inaugurated which provides a regular pension of \$50 per month for a man who is disabled after 25 years in the employ



of the company. It is the opinion of this company that in the course of time profit sharing will do away with labor trouble."

### BENOIT SYSTEM.

MEN'S AND BOYS' CLOTHES. MALDEN, MASS.

(1916) The company has recently adopted a plan by which all of the employees, including the janitor, share in the earnings of the store. At the end of the fiscal year 10% of the net earnings, based on wages, is divided among all of the employees and paid in cash.

(1919) A. H. Benoit, president, September 6:

"Because of the many high war taxes on business, about March, 1918, it became necessary to discontinue our profit sharing plan. We then inaugurated a monthly bonus plan on the excess sales over the comparative month of the previous year. If the sales for December, 1918, were \$7,000 larger than December, 1917, we paid a bonus of 5% on the \$7,000 and divided it among the employees in accordance with their salaries. Our business is retail clothing stores, varying from 24 to 26 employees per store.

"This plan in a great measure has solved the high cost of living problem with our employees. Because of the high price of goods and the large amount of money in circulation, it has been easy enough every month to beat the sales for the comparative month of the year before, and so the employees receive every month a very substantial amount of bonus money outside of their regular wages to make them contented. This bonus plan is still in operation and working fine, and we will probably keep going until conditions have got back to normal again, at which time we would be glad to go back to our original profit sharing plan of before the war."

### BOSTON CONSOLIDATED GAS COMPANY.

BOSTON, MASS. 1906.

(1916) By the so-called sliding scale act, passed by the Massachusetts Legislature in 1906, the future divisible profits

of the company are made to depend upon the price charged for gas. The standard fixed by this act is 90 cents per 1,000 cubic feet of gas, with dividends to the stockholders at the rate of 7% per annum. For every reduction of five cents below 90 cents per 1,000 cubic feet the company may pay 1% additional dividend.

This act does not apply the principle of the sliding scale to employees of the company, but on July 26, 1906, the directors, adopting this principle, decided to offer to the most efficient employees over and above their regular compensation an annual share in the profits of the company, to be called a "premium." Premiums are calculated on the annual salaries or earnings at the same rate as the dividends on the stock of the company for the preceding year. In its announcement of this plan the company points out that increases in the premium rate to employees, like increases in dividends to stockholders, depend upon reductions in the price of gas, which in turn depend upon increased business and improved economies in operation. "Consequently there is a very direct relation between the collective efficiency of the employees and the percentage of the apportionment, which should result in increased effort on their part to reduce the price of gas and thus increase their proportion of the profits."

All employees who have been in the employ of the company for one year preceding July 1 of any year in which a premium is declared are eligible to participate in the profit sharing, provided in each case that the work of the employee has been, in the judgment of the heads of departments, such as to warrant participation. No deduction is made on account of sickness except for the excess above two months' absence.

A separate premium account, showing principal and interest and debit charges, is kept by the company for each employee who receives a premium. After the declaration of a premium to any employee, the amount of such premium is placed to his credit.

When the amount credited to any employee is sufficient to purchase one or more preferred shares of the capital stock of the Massachusetts Gas Companies, at the then market price, the president of the company, at his discretion, either



(1) pays to the employee in cash the amount of such premium or premiums or (2) purchases one or more of said preferred shares at the then market price for and on the account of the employee. The amount so expended is charged to the premium account of the employee; the shares so purchased are delivered to him and become his absolute property.

Any premium or premiums or portions thereof, not disposed of under the above rule, remain to the credit of the employee on the books of the company. On all such balances it pays interest at the rate of 4% per annum.

As all shares bought for employees in the above manner are their absolute property, they may sell such shares at any time. Before such sale, however, at least seven days' notice in writing must be given to the treasurer of the company on blanks furnished by it for that purpose, and if the sale does not receive the approval of the directors the employee selling may be dropped from the list of profit sharers for at least one year.

The company has on an average from 1,000 to 1,100 employees, of whom about 650 are profit sharers. From June 30, 1907, to June 30, 1915, the company apportioned to the credit of the profit sharers' account \$420,813.16, the average amount credited to each profit sharing employee's account being \$676.55, or nearly 75% of his yearly wages. The average weekly wages of these employees is \$17.41. Up to June 30, 1915, 3,516 shares of stock had been distributed to employees, the average holding being 5.36 shares, and on that date the total of cash and stock to the credit of the profit sharers was \$337,442.26.

The company states that it is the intention and desire of the directors to include as profit sharers all employees who are, in their judgment, temperate, energetic, honest, capable and efficient, but the right is reserved to fix the number who shall receive premiums in any year.

In the prospectus of 1911 describing the system it was stated that the logical extension of the plan by which employees secure ownership in the business is to have them represented on the board of directors in order that they may have a voice in the management of the company. Accord-

ingly the company invited the nomination on the part of the profit sharers of a representative of their own selection, as a director, with full voting powers. This invitation was accepted, and the present director is a man who has been in the employ of the company 65 years.

(1919) E. T. Wrightington, vice-president, September 4:

“In connection with the profit sharing plan of this company, the most important features are, first, that while title to the stock rests with the employees a sale of stock, without approval, results in the employee being left off the profit sharing list in the future. As approval for sale of stock is given only in cases of emergency such as sickness, the employees are encouraged to save the stock and thus develop the quality of thrift, and also secure an owner's interest in the business.

“The other feature of this profit sharing plan which is important is that not all of the employees are included, some being excluded from the list if they do not measure up to the proper standard.”

The company gives this analysis of the plan:

One of the great problems in the industrial life of to-day is to provide a point of contact between the employer and the employee.

Modern business is conducted on such a large scale that it is very difficult to maintain the personal relations of the old days which did so much to establish mutual understanding and confidence between the employer and the employee.

The Boston Consolidated Gas Company has had a plan in vogue for some years, designed to accomplish this result. This plan is an extension of the profit sharing plan of the company and provides that the profit sharers of the company nominate a representative to serve on the Board of Directors of the company.



FINANCIAL WORKING PLAN BOSTON CONSOLIDATED GAS COMPANY.

PROFIT SHARING REPORT

37

10 mos. ending June 30, Year ending June 30,	Amount proportioned	No. profit sharers	Aver. amt. each	Per cent of wages	Shares of stock distributed	Total aver- age wages yearly	Total number employees
1907.....	\$26,029.15	553	\$47.07	7%	59	\$896.57	
1908.....	43,986.37	642	68.51	8	491	856.37	
1909.....	48,827.64	637	77.26	9	439	858.44	1,029—4/1/09
1910.....	47,241.99	698	67.68	9	428	752.00	
1911.....	48,225.42	574	84.02	9	392	933.55	890—9/5/10
1912.....	50,891.91	591	86.11	9	446	956.77	1,186
1913.....	50,743.30	585	86.74	9	502	963.77	1,045
1914.....	50,840.37	665	76.45	8	435	957.15	1,062
1915.....	54,027.01	656	82.36	8½	525	968.92	1,090
1916.....	57,144.83	698	81.87	8½	572	963.16	1,039
1917.....	52,899.65	718	75.07	7	652	1,052.54	1,056
1918.....	55,947.93	682	82.03	7	803	1,171.93	1,168
1919.....	77,226.92	820	94.18	7	1,019	1,343.80	1,376—9/5/19
Totals.....	\$664,032.49	655	1,013.79		6,763	\$975.00	

Under the profit sharing plan all employees who have been in the employ of the company for twelve months and who have proven to be temperate, energetic, honest, capable, efficient and loyal, are eligible to share in the distribution of the profits of the company. The form of the distribution consists in the purchase for the account of each such employee, an amount of preferred stock in Massachusetts gas companies at the market value equal to the same percentage on the wages of the employee as the rate of dividends paid on the stock of the Boston Consolidated Gas Company. For example, during the past year the company paid 7% dividends, and a profit sharer earning \$1,800 would receive \$126 in stock, or at the present market value about two shares of Massachusetts Gas preferred stock.

The dividends of the company are fixed by the so-called sliding scale act, and the only way in which increased dividends can be paid is by reductions in price, so that it is to the interest of each employee to reduce the costs and to keep the price down as low as possible in order that his proportion of the profit sharing fund be as large as possible.

The vote for the nomination to represent the profit sharers on the Board of Directors has recently been held, and resulted in the nomination of Mr. Miles Connors, and Mr. Connors was duly declared elected as a Director at the meeting of the Stockholders.

Mr. Connors is a foreman in the street department. He is 46 years old and has been in the employ of the company 23 years, beginning as a street laborer and rising to his present rank. He has been a profit sharer from the time the plan was started in 1906. Since that time he in common with the other profit sharers of the company who were eligible at that time has received to date 100% of his average annual wages, which has been invested in the preferred stock of the Massachusetts gas companies.

Through Mr. Connors, whose popularity with the employees is shown by his nomination by them as a director, the employees will have a direct medium through whom they can meet the directors of the company.



He will have access to all the costs and profits of the company each month. He will be able to present the point of view of the employees to the management of the company and to advise the employees whom he represents as to the attitude of the directors of the company. He will have a direct voice in the management of the company and will be consulted especially in matters affecting the interests of the employees.

It is believed that the plan of the Boston Consolidated Gas Company of direct representation of the employees on the Board of Directors will go far toward establishing happy conditions and friendly relations between the management of the company and the employees.

Amount of cash to credit of present profit sharers, October 1, 1919.....	\$15,714.27
Amount of preferred stock in Massachusetts Gas companies to credit of present profit sharers, 5,025 shares at market \$65.....	326,625.00
<hr/>	
Total amount to credit of present profit sharers .....	\$342,339.27
Average weekly wages, \$18.44.	
Shares held October 1, 1919, 5,025; average number of shares held by present profit sharers, 6.13.	

### BOURNE MILLS.

COTTON MANUFACTURE. FALL RIVER, MASS. 1889.

(1916) Every employee who continues faithfully at work during any term of six months is entitled to a share of the profits in proportion to the dividends paid to the stockholders. The employee's share is in the form of a dividend on his wages, calculated by dividing a certain percentage (not less than six or more than twenty) of the amount paid to stockholders by the total wages of the employees entitled to share. The amount of each individual's wages is multiplied by this rate to determine his share. The directors vote every six months on the retention of the plan. The company has about 600 employees.

The plan is one of the oldest in the United States, having been in continuous duration since 1889, with the exception of the year 1904. The rate of dividend to employees has ranged from  $2\frac{1}{2}\%$  to 7%.

In May, 1915, an officer of the company stated:

"We do not claim that the plan eliminates labor troubles, but we think it tends to minimize same. This system has been very satisfactory and we think it tends to keep our employees with us for longer periods than would otherwise be the case. Although our profit sharing plan has not accomplished all that we would wish, it has certainly helped us along in the right direction."

An officer of the United Textile Workers of America expresses the opinion, based upon inquiries made, that "the employees do not appear to be carried away with the plan, there being rather too many restrictions around it in regard to their working steadily during the year, which is not always possible for a textile worker to do, having to lay off once in a while to recuperate. I cannot say that the plan is based on a low wage, that is to say, lower than that which prevails in other mills for the same class of work, although it is needless for me to say that the whole wage standard in this particular branch of industry is on a low basis. I would rather believe that the employees take this extra bit of cash given to them at the end of the year as a part of what they have really earned during the year but comes to them in bulk at this particular time."

(1919) Fall River "Herald," December 20:

"The Bourne mills management paid today the corporation's sixtieth semi-annual profit sharing dividend to its employees. The amount was  $6\frac{1}{2}\%$  on wages from June 7 to November 29, 1919. All employees in steady employment during the whole period or an appreciable part of it shared in the dividend. Both the rate and the total amount paid are the largest since the dividend was inaugurated. An employee in steady employ during the entire period received the equivalent of  $1\frac{5}{8}$  weeks' wages. The general wage advance of 15% which went into effect June 2 last in all the mills here, was operative in establishing the amount of dividend that an employee received. The rate of wages for the six months was the highest in the history of cotton manufacturing here, previous to the first of this month, when the latest general increase,



12½%, went into effect. The total amount paid out by the Bourne for the dividend was about \$15,000.

“This dividend was inaugurated in 1889 by the late George A. Chace, then treasurer and agent of the Bourne. The primary object was to offer an incentive to draw operatives to the plant and to keep them steadily at work. There has been one break in the continuity of the dividend. That was in 1904, when the memorable ‘long strike’ occurred, beginning July 25 and declared off January 18, 1905. The dividend is called ‘profit sharing’, but it has been paid in some years when there were no profits.”

### CANADIAN COTTONS, LTD.

#### MONTREAL.

(1919) From a company circular:

“During the past year the woven production at Ontario mill has been, in round figures, 64% of the rated capacity of the looms installed, while under proper conditions it might easily have been 80 to 85%. With this in view, it has been arranged that the company and its workers will share equally in the profits accruing from all increased production, and in direct ratio to such increase. Dating from October 1 next the company will pay to operatives, at the end of each succeeding three months’ period and at the same time as dividends are paid to shareholders, a sum equal to 1% of each operative’s wages for every 1% increase of production obtained over and above the present average of 64%. For example, if production is increased to 75% of possible efficiency—that is, by 11%—each worker will receive the additional sum of 11% of regular wages earned, and so on. In order that operatives may at all times keep in touch with the production figures, same will be posted week by week on the usual notice boards as soon as compiled. The amount of wages earned under this partnership plan may, if so wished, be reinvested with the company, and upon all money so deposited the company will pay interest at the same rate as the shareholders receive in dividends upon the common stock of the company—at present 6%—and should the dividend rate at any time be increased, this increased rate would be paid upon such money reinvested. Employees will have the privilege of withdrawing part or all of such deposits at any time, with accrued interest. In order to participate in the

proposed plan, the operative must have worked at least  $92\frac{1}{2}\%$  of the full working time during the three months' payment period."

### EASTMAN KODAK COMPANY.

ROCHESTER, N. Y. 1911.

(1916) The company calls its profit sharing system a wage dividend plan and bases it on the assumption that dividends to common shareholders up to 10% are the equivalent of the employees' fixed wage, and that cash dividends in excess of that figure may be fairly considered as extraordinary. The plan therefore provides that the dividends to wage-earners shall be based upon such extra cash dividends—that is, over 10%—paid to shareholders.

In arriving at the proportion which shall go to the wage-earners, all the factors bearing upon the problem, including length of service, have been taken into consideration by the company and it has fixed the wage dividend at 35% of the extra cash dividends paid to the holders of common stock. This is to be divided and applied on a period of five years.

To illustrate the way in which this plan works out, the years of 1911, 1912 and 1913 may be taken as examples. The extra dividends to holders of common stock amounted to 30%; 35% of 30% is  $10\frac{1}{2}\%$ ; this divided by 5 is 2.1% on each of five years' wages. Applying this formula, it will be seen that an employee who has worked for the company five years and has averaged \$15 per week will receive \$81.90—an amount equal to about five and one-half weeks' pay. If he has worked four years, he will receive \$65.52, and so on down to one year, in which case he will receive \$16.38. The dividends are paid on July 1, following the year in which they were earned.

Only employees who have been on the payroll of the company for a full calendar year are considered, and continuous service only is recognized. Piece-workers participate on the same basis as those receiving fixed wages or salaries.

It is a rule of the company that no one who engages labor is permitted, in fixing wages, to take into account any wage dividends which may be or have been received by the employee.



The payments to the employees under this plan have averaged about \$500,000 a year. It is announced that the dividend in 1916 will, however, mount up to \$1,000,000, and that about 8,000 of the 11,000 employees will participate. This is on the basis of a  $17\frac{1}{2}\%$  dividend to employees of five years' standing, equivalent to nearly nine weeks' salary. For employees not more than one year in the service the dividend will be  $3\frac{1}{2}\%$ .

(1919) The industrial relations department manager, September 10:

"The plan in operation in 1916 is still in force. The results have been in general the cultivation of greater good will toward the company on the part of the employees and an increase in the stability of the works force. Just how great a force the profit sharing arrangement has been in effecting this end is not known. However, we feel that it is a valuable factor in the development both of good will and stability.

"In the Rochester factories and office we have at present approximately 12,600 employees. Between 70 and 75% of these participate in the plan.

"The employees look upon the wage dividend as a particularly favorable factor in the term of employment. It is now looked upon as a regular feature, and the main interest of the employee seems to be in just how large the amount of his dividend will be. The tendency toward labor troubles and unrest has never been marked in this company. I think, however, that the wage dividend has been a factor in allaying possible disturbances.

"We have recently announced another sort of profit sharing, namely, a stock ownership plan which in no way interferes with the regular wage dividend paid yearly. Under this plan the employee is permitted to buy stock of the Eastman Kodak Company at par. It extends to every employee of the company. The wage dividend plan is not unqualifiedly a success; there are many problems which arise in administration which remain to be solved. We are having no trouble with the fundamentals, but the practical execution of it must be further worked out. The last word has not yet been said in the matter of who should participate and what terms shall be made."

## EDISON ELECTRIC ILLUMINATING COMPANY OF BROOKLYN.

BROOKLYN, N. Y. 1910.

(1916) To those employees who have been in the company's service for two years, a percentage of their salary is given each year equivalent to one-fourth of the rate of dividends paid on the capital stock; to those in the service three years, a percentage equivalent to one-half the rate of dividends; to those in the service four years a percentage equivalent to three-fourths of the rate of dividends and to those in the service five years a percentage equivalent to the full dividend rate. This money is deposited in the Brooklyn Edison investment fund to the credit of the employees benefited. The investment fund is used to buy stocks and bonds of the Kings County Electric Light and Power Company and the Edison Electric Illuminating Company of Brooklyn.

Dividends are declared out of the earnings of the investment fund and the employees participating may withdraw these dividends or have them credited. The sums credited to the employees in the fund itself, however, cannot be withdrawn within three years except to make payments upon the purchase of a home or because of death of the employee, or unusual necessity in the opinion of the committee in charge of the fund. Employees who are discharged for misconduct, or who leave the company's service without giving one month's notice, or who become insolvent, or who attempt to sell or encumber their interest in the fund without permission, forfeit all title to the sums credited to them in the fund.

The committee in charge may, at its discretion, withhold a part or all of the profit to which an employee might otherwise be entitled.

After three successive annual sums have been credited to an employee, he may, if he desires, take out stock in the company to the amount of his credit for the first two years of the three-year period.

Employees may make regular deposits in the investment fund, in addition to their profit sharing credits, and may withdraw such deposits at will.

At the close of 1914 there were 1,080 individual accounts in the fund, and 109 employees owned 773 shares of stock outright. Out of the 1,745 employees of the company, 1,381



had savings invested in the fund, and of these 721 had authorized weekly deductions from wages as deposits in the fund. The sum of \$256,819.74 had been deposited in the fund through profit sharing, \$370,379.37 through deposits of employees, and \$41,450.12 through dividends earned.

The company considers the plan to have been a success.

(1919) R. W. Allen, secretary, November 19:

“The company’s plan at present is the same as described in 1916. The average number of employees for 1918 was 1,733. It is anticipated 993 will be included in the profit sharing roll for the year ending December 31, 1919. The plan has undoubtedly prevented a thought or tendency toward labor troubles. Both department heads and the rank and file participate. The plan has been an unqualified success both from the point of view of the employer and the employee.

“We believe that the plan, which applies to all employees of the company, including officers, department heads and rank and file, is well thought of and has done much for those for whose benefit it was intended, and has been the means of increasing good will toward the company and the permanency of its employees. The fact that the plan has been successfully maintained for ten years without any appreciable changes having been made in its structure and application is perhaps the best evidence of its successful operation.”

#### EMPIRE TRUST COMPANY.

##### NEW YORK CITY.

(1916) A certain percentage of net profits of the company, which percentage rises with an increase of profits of the company upon a fixed ratio, is divided among the employees yearly upon the basis of salary received, length of service and special merit, as measured by standards fixed from time to time by the officers.

The company reports: “The plan is well received and we believe tends directly to promote efficiency and stimulate endeavor.”

(1919) Eugene Miller, assistant secretary, September 6:

“We are still carrying out the profit sharing plan in existence in 1916, and find that it has been very successful.”

## ENDICOTT-JOHNSON CORPORATION.

LEATHER AND LEATHER SHOES. ENDICOTT, N. Y.

(1919) From a representative of the corporation, November 10:

"Our profit sharing with our workers only started in April of this year; therefore, we are not able to answer any of your questions, except to state that as we never have had any labor disturbances the profit sharing has had no influence in this matter. However, it is a noticeable fact that our workers value their positions more highly and are very loath to leave them.

"The worker may share in this plan after being in our employ only one year, and the highest paid and the lowest paid workers share alike; in other words, our theory is that the lowest paid is the one who needs the profit sharing the most."

From the corporation's announcement to its workers, April 3, 1919:

Due to our mutual efforts our leather and shoe business has grown from \$600,000 to \$75,000,000 annually, with possibilities for future development so great that we feel the business will be strengthened and the interests of all better guaranteed under the form of a corporation than a private ownership. . . .

Each year, after a 7% dividend has been paid on preferred stock, and 10% set apart on the common stock, the balance of the profits, if any, shall be split 50-50 between the workers and the owners of the common stock. Every worker who has been in the employ of the company throughout the entire year will share and share alike, which means that the highest paid and lowest paid worker and all between, receive the same amount either in common stock or cash, at the option of the directors. Divisions made once a year. Plan commences as of January 1, 1919. First division as soon as possible after January 1, 1920. . . .

Any worker wishing to buy preferred stock in the new corporation paying 7% dividend, may apply before April 14, 1919. . . .

Press dispatches, March 1, 1920, announce the payment by this company of \$2,505,286 "bonus" to 10,531 employees. Each worker received a company check for \$237.90, which



amount could be claimed in money or common stock at 100, or part of either, at one's option:

FARR ALPACA COMPANY.

MANUFACTURERS OF PURE ALPACA AND MOHAIR LUSTRES.

HOLYOKE, MASS. 1914.

(1916) Employees who render satisfactory and continuous service for 12 months receive a dividend on their year's wages at the same rate that is paid shareholders on their stock. This, at present, is 8%. The company has 3,000 employees and the annual wage roll is about \$1,800,000. The amount forfeited by the discharge of an employee, or by his leaving voluntarily, or by his exclusion on account of unsatisfactory service, is credited to a benefit fund out of which the directors of the company may grant assistance to aged or disabled employees.

In its announcement to employees the company says: "This system of profit sharing is not offered as a substitute for normal advances in wages when conditions warrant." In January, 1915, after the plan had been in operation one year, a committee of employees presented a testimonial to the meeting of stockholders, expressive of their appreciation of the plan and its administration. In January, 1916, the directors voted to continue the plan another two years.

(1919) Edward J. Meacham, secretary, September 4:

"The profit sharing plan adopted by this company early in 1914 is still in force. The results have been eminently satisfactory, both to the employer and employee.

"Our average number of employees is about 2,700. As outlined in the plan, those who leave the company's employ during the year are dropped from the profit sharing, so that at the end of the year there are considerably fewer hands, although the above number of 2,700 will not be lessened by more than two or three hundred, and inasmuch as the dividend upon the wages earned by those severing their connections with the company during the year is credited to the disability fund or old age pension fund, the company does not derive any benefit from wages paid employees up to time of resignation.

"The feeling toward the plan by those for whose benefit it is intended is, we believe, very favorable. As regards elim-

inating or modifying the tendency toward labor troubles, we have had none since 1916. The plan is not limited to the heads of departments, but includes all employees. It is regarded unqualifiedly as a success."

#### A FURNITURE COMPANY.

(Name withheld by request.)

#### WISCONSIN.

The plan of this company was inaugurated four years ago. For the first year the percentage of profits, distributed arbitrarily, averaged about 10% on the payroll, and this basis of percentage has been continued. The amount of cash distributed therefore depends upon the profits. This fact has been stated every year to the employees in order to stimulate them to greater effort and bigger profits. While the percentage has remained about the same, the amount of money distributed has been about doubled, the increase being based on payroll. A new plan has been installed in 1920. About 200 persons are employed, every one participating in the profit sharing after sixty days' employment. The system has a tendency to reduce the labor turnover. It is considered quite a success.

#### GENERAL ASPHALT COMPANY.

CAMDEN, N. J. 1916.

(1916) This company has announced a profit sharing and pension plan for employees of the company and its subsidiaries.

The profit sharing distribution will be made to all officers and employees receiving a salary of \$60 or more a month, and who shall have been continuously in the company's employ for one year or more prior to the expiration of the fiscal year ending January 31, 1917. The rate of distribution will be 1% of the salary of each employee for each \$100,000 of net gain to surplus in the fiscal year ending January 31, 1917, over and above the amount required for the 5% dividend on the preferred stock.

(1919) Ira Atkinson, treasurer, October 10:

"There has been no change in our plans, which have, on the whole, worked out satisfactorily. The war, however, has



made such a considerable change in the personnel of our employees as to have robbed the plans of their full value and to make some modifications desirable when the situation has once more become normal."

### GENERAL ICE DELIVERY COMPANY.

DETROIT, MICH. 1909.

(1916) Five per cent of the annual net earnings of the company is distributed among the employees who have been with the company long enough to have earned a promotion.

In July, 1915, the president of the company said:

"Our profit sharing plan—5% of the profits every year—ensures the receipt of something by our men if there are dividends. It therefore has a permanency which some other plans do not possess. The only shortcoming is the fact that some men receive profits who really are not worthy, but the men in our organization soon find that out and it has a wholesome effect upon those who are not really entitled to consideration."

The total annual distribution, exclusive of commissions to wagon men, has increased from about \$2,000 to \$7,500. The company regards the plan as "a complete success and of a very permanent nature."

(1919) In a letter dated August 8 President David A. Brown of this company writes:

"It is my present belief that the only way in which the relations between capital and labor can be permanently solved, and solved so that there will be no injustice to either capital or labor, will be by either state or national legislation."

(1919) President Brown wrote further, September 23:

"The profit sharing plan is still in force; the results are very satisfactory. No change or modifications have been made, although some rather radical changes have been made in our internal relation with our employees. The feeling toward the plan is very satisfactory. Labor troubles are minimum with the employees who participate in the plan; practically no turnover whatsoever; the classification covers a percentage of profits. The plan is applicable to those who have taken their first step forward in this company, no matter

how modest, and to all those who join with it in a semi-executive capacity. We regard it as an unqualified success."

In January, 1919, the company announced in a circular:

The workers, the employees of the General Ice Delivery Company, the men who aid in the manufacture, distribution, and sale of Absopure, and those who handle its administrative details, will hereafter take a greater part in the management of this company . . . The workers of this company, the ice factory men, the wagon men, helpers, ice cutters, the collectors, the clerks—every person on the payroll—will have something to say directly or indirectly on how this big business is going to be run . . . The stockholders of the General Ice Delivery Company in their annual meeting recently went on record to define the new democracy in terms of industrial management. They decided that the men who in such large measure are responsible for the carrying on of this big business, should have such representation in the activities of the company that will mean more to them than a mere pay check. . . . Two resolutions were adopted which will fundamentally change the policy of our organization. These resolutions are:

First: Increase of the board of directors from seven members to fifteen members, the eight additional members being elected from the working force of the organization.

Second: The creation of an "Inner Council" of delegates from the employees of every department in the company, which shall have powers to recommend and administer in matters pertaining to the welfare of the employees and their relationship with the company, the public and with their fellow employees.

## GUARANTY TRUST COMPANY OF NEW YORK.

### NEW YORK.

(1919) E. M. Bentley, office manager, November 12:

"This company adopted a profit sharing plan January 1, 1919, in which all employees, numbering about 3,000, will participate. As this is the first year of its operation, it is impossible to yet measure its success, but there seems to be a general feeling among the employees that it will prove satisfactory.

"While I think there is usually a rather natural tendency on the part of the employee to prefer full compensation in the pay envelope, we feel that the benefits of a profit sharing plan in accumulating a sum which the employee would un-



doubtedly not save from weekly or monthly earnings will be much appreciated when its value is realized, either as a permanent saving or its availability for some special object. It should also result in employees having a keener interest in the proper operation of a business in the profits of which they are to share."

HOUGHTON MIFFLIN COMPANY.

BOSTON, MASS. 1872.

(1916) The company maintains a savings department, for the benefit of the employees, in which deposits can be made at any time in any sum up to \$1,000. Whenever on the first of January of any year the deposits of any depositor equal or exceed \$100 and remain one year thereafter, the company agrees to pay to such depositor a portion of the annual profits not exceeding 4% additional on each \$100.

The number of depositors averages from one-third to one-half of the company's 1,000 employees. The company reports that the system has worked well for all purposes, has bred habits of care and economy and created a cordial feeling between it and the employees. This is one of the oldest profit sharing plans in the United States.

(1919) James Duncan Phillips, treasurer, November 14:

"We have had in operation at the Riverside Press, Cambridge, for a great many years a savings department in which the employees could put such sums of money as they desired and on which the company guaranteed 6% interest. At the end of various successful years considerable distributions of profits have been made so that at times the return has been very much larger than 6%. These dividends have been decided upon by the board of directors.

"Of the 700 employees in our plant only about 200 take advantage of this plan, and frankly we do not feel at all sure whether this has been of any special benefit in labor troubles. In fact, it struck us as rather curious that at the time of a strike at the bindery some ten or fifteen of the persons who had from \$50 to \$1,000 deposited in this department should be walking up and down in front of the plant as pickets on strike, although, curious enough, they never drew their money from the department, which they might have done at any

moment. The aim of the department was naturally to secure the good will of the people and to furnish them an opportunity to safely invest some of their savings. The best employees take advantage of it; the others as a general rule do not."

### THE HUB.

CLOTHING HOUSE. CHICAGO, ILL. 1891.

(1916) A percentage of the profits is distributed among employees who have been with the company two years or more, the rate increasing with each year of employment and the amounts ranging from \$15 to \$500. The store employs about 700 people.

(1919) George Lytton, vice-president, October 9:

"The plan has been in force about 25 years. When we began we did not know of any other firm in the retail business doing likewise, and felt at the time that we were making a very wise move. I have been actively engaged in the business for the past 25 years and therefore am fully qualified to point out that I believe the plan as carried out by us is of very little value, other than the advertising feature.

"Profit sharing is a misnomer, this title having been tacked on by the papers in its incipency and having remained with us ever since. We began by giving a week's salary the first year and after that an increase yearly, the bonus or present depending upon the length of service, making an extra gift of \$500 when any one had been in our service 20 years. A number have received this special gift.

"I believe thoroughly in the real profit sharing system and approve heartily of the views set forth by Mr. Perkins in his pamphlet on this subject. I do not hesitate to say that were the matter in my own hands, I would work out ultimately some satisfactory real profit sharing plan.

"We have about 700 employees. There has been no change since 1916. When the money is received at Christmas time by the employees, the writer believes it is forgotten in about 24 hours.

"There have never been any labor troubles in our business. I do not believe it is due to the profit sharing plan, but to our close, personal contact with our employees. The only



union we have is in the tailor shop, which was unionized four years ago and which the writer believes is entirely independent from the rest of the store organization, doing about as they please, except for the control held over them by the union. The heads of the departments receive a special present which the balance of the store have nothing to do with—a personal matter with each head.”

### THE KEYSTONE DRILLER COMPANY.

BEAVER FALLS, PA. 1906.

(1916) This plan has also savings and stock subscription features.

Employees may deposit on pay day any amounts they desire, which immediately begin to draw interest. After the expiration of six months, if the owners so desire, the deposits become profit sharing accounts upon an equality with invested capital. The company, however, guarantees that the profit shall never be less than 6%. Deposits may be withdrawn on any regular pay day.

Profit sharing certificates amounting to \$50 or over may at any time be exchanged for regular corporation stock at par.

Employees cannot hold profit sharing certificates in excess of \$1,000; but if, having reached this amount, the certificates are exchanged for corporation stock, the employees begin deposits anew. Ownership of profit sharing certificates of \$50 or over entitles the owner to preference of employment as vacancies may occur, but “in case the owner joins in any hostile strike against the company, profit sharing or interest, as the case may be, shall immediately and permanently cease.”

The company reports that the plan has established a community of interest, raised the efficiency of the workmen, eliminated floaters and reduced strikes.

(1919) The company reports: “We are not now using a ‘profit sharing plan.’ The men abused the privilege of transferring the preferred stock to common stock and sold out at a profit, thus themselves defeating the ‘profit sharing’ features of the plan.”

## KUTZTOWN FOUNDRY AND MACHINE COMPANY.

PHILADELPHIA, PA. 1914.

(1916) A part of the net profits is distributed among the employees in proportion to their salaries or wages, the total amount being determined by the executive committee after a dividend has been declared of not more than 8% on the capital stock.

Payments are made quarterly to employees who remain in the service continuously during that quarter, but those dismissed for lack of work are allowed their proportionate share on whatever wages they have earned.

Employees receive their profits through their departments and the allotment of a department is reduced by the amount of any expense incurred by the company to replace defective workmanship and materials caused by the carelessness of the employees in the department.

(1919) The company reports, October 11: "We do not have in force at the present time a profit sharing plan in which all of our employees participate. We did have such a plan in force a few years ago, the details of which were given you at that time, but the management has concluded that the plan has not worked out successfully, inasmuch as it did not accomplish the results we had hoped to obtain. The plan, therefore, was abandoned."

## THE NATIONAL BANK OF COMMERCE IN ST. LOUIS.

ST. LOUIS, MO. 1900.

(1916) At the end of each year the net earnings of the bank are ascertained and after deducting losses and a sum equal to 6% of the capital, surplus and undivided profits, 6% of the remaining net profits is set aside for an employees' pension fund, and 4% for an employees' participation fund. The participation fund is distributed in cash at the end of each year among the officers and employees in proportion to their salaries. The board of directors reserves the right at any time to discontinue the appropriations.

(1919) A. L. Weissenborn, October 9:

"For several years prior to 1912 we had such a plan in operation. In 1912 the amount then on hand was distributed





## KUTZTOWN FOUNDRY AND MACHINE COMPANY.

PHILADELPHIA PA. 1914.

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among the employees of the bank and since then we have distributed no profits, further than an annual bonus of from a month to a month and a half's salary."

NATIONAL CASH REGISTER COMPANY.

DAYTON, OHIO.

(1920) February 28, a new profit sharing plan was announced by this company which provides for the division of the company's profits into two equal shares after 6% on the company's investment has been deducted. One share will go to the company and the other will be divided among the employees. Of the latter share one-half is to be allotted to the management exclusive of the owners and one-half to all other employees at Dayton. The managing employees number more than 500. An employee begins sharing profits after six months of service. The profits are to be determined by a disinterested outside firm of accountants.

The profit sharing plan was originally started by this company in January, 1917, on a small scale. From time to time changes were made and the plan extended to include more employees. At the present time all of the 6,500 employees at Dayton are on the profit sharing roll. The exact plan was put into effect January 1, 1920.

President John H. Patterson, in announcing the plan to the employees, said:

"On behalf of the owners of this company I wish to announce the profit sharing plan which has been adopted for N. C. R. employees for the year 1920.

"The plan which has been adopted will cover the period from January 1, 1920, to December 31, 1920, inclusive. All employees of the National Cash Register Company will participate in the net profits of the company in accordance with the following plan:

"The profits of the company will be determined by a disinterested outside firm of accountants.

"After the net profits have been determined an amount equal to 6% interest on the company's investment will be deducted.

# N. C. R. Profit-Sharing Plan for 1920

1 Profits		2 Distributed Profits Divided into Two Equal Shares		3 Employees' Share of Profits		4 General	
How Determined	Interest on Investments	50% to Company	50% to Employees	Management Exclusive of Owners	All other Employees at Dayton	Rules for Distribution	Results to be Accomplished
The profits of the Company will be determined by a disinterested outside firm of accountants.	After the profits have been determined, an amount equal to 6% interest on the Company's investment will be deducted.	<p>The Company's share is for the purpose of</p> <ol style="list-style-type: none"> <li>1. Maintaining, sustaining, and increasing the business.</li> <li>2. Building new buildings.</li> <li>3. Buying new machinery and equipment.</li> </ol>	<p>Employees' share is to be divided into two parts:</p> <ol style="list-style-type: none"> <li>1. One half, or 25% of the distributed profits, for the management exclusive of the owners.</li> <li>2. One half, or 25% of the distributed profits, for all other employees at Dayton.</li> </ol>	<p>The employees who make up the management, exclusive of the owners, who will receive 25% of the distributed profits are:</p> <ol style="list-style-type: none"> <li>1. Class "A," comprising the executives and supervisors, consisting of 35 or more employees, will receive 12%.</li> <li>2. Class "B," comprising foremen, consisting of 85 or more employees, will receive 5%.</li> <li>3. Class "C," comprising job foremen and other employees holding equal positions, consisting of 400 or more employees, will receive 8%.</li> </ol>	<p>All other employees at Dayton are to be divided into two classes: -</p> <ol style="list-style-type: none"> <li>1. Class "D," comprising all other employees at Dayton who have been in the employ of the Company for 30 days or longer will receive 25% of the distributed profits.</li> <li>2. Class "E," comprising all employees who have been with the Company less than 30 days.</li> </ol>	<ol style="list-style-type: none"> <li>1. Distribution of all profits will be made semi-annually, as soon as possible after July 1, 1920, and December 31, 1920.</li> <li>2. All profits distributed among employees of any class will be distributed in proportion to the wages or salaries received for the six months' period.</li> <li>3. Profits will be paid only on regular profit-sharing dates.</li> <li>4. No employee will receive profits unless he has been with the Company six months or more after becoming a profit sharer.</li> <li>5. Any profits to which he may then be entitled will be paid at the next distribution of profits.</li> </ol>	<p>It is hoped that this plan will accomplish the following results:</p> <ol style="list-style-type: none"> <li>1. Promote thrift.</li> <li>2. Reduce labor turn-over.</li> <li>3. Create closer co-operation.</li> <li>4. Increased efficiency for 1920.</li> <li>5. Put your heart into your work.</li> <li>6. Create incentive for promotion.</li> <li>7. Create better living conditions.</li> <li>8. Increase production and decrease costs.</li> <li>9. Make every one a partner in the business.</li> <li>10. Prevent waste of material, time, and labor.</li> </ol>









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"After the net profits have been determined an amount equal to 6% interest on the company's investment will be deducted.

"The remaining profits will be divided into two equal shares, 50% to go to the company and the remaining 50% to be divided among the employees as their share of the profits.

"The company's share of the profits is for the purpose of maintaining, sustaining and increasing the business, building new buildings, purchase of new machinery and other equipment, and the maintenance of its present buildings, machinery and equipment.

"The profits to be distributed among the employees will be divided into two parts, one half (25%) to the management, exclusive of the owners, and one-half (25%) to all other employees at Dayton.

"The employees who make up the management, exclusive of the owners, are Class 'A,' comprising the executives and supervisors, consisting of 35 or more employees, who will receive 12%; Class 'B,' comprising foremen, consisting of 85 or more employees, who will receive 5%; Class 'C,' comprising job foremen and other employees holding equal positions, consisting of 400 or more employees, who will receive 8%.

"Class 'D' comprises all other employees at Dayton who have been in the employ of the company for 30 days or longer, who will receive the remaining 25% of the distributed profits.

"Class 'E' comprises all employees who have been with the company less than 30 days. Class E members do not receive a share of the distributed profits.

"Profits of each class will be distributed in proportion to the wages or salaries received for the six months period.

"Distribution of all profits will be made semi-annually, as soon as possible after July 1, 1920, and December 31, 1920. Profits will be paid on regular profit sharing dates.

"No employee will receive profits unless he has been with the company six months or more after becoming a profit sharer. Any profits to which he may then be entitled will be paid at the next distribution of profits.

"The directors of this company have put this plan into effect because they feel it is right to share the profits with those who have helped make them.

"It is the desire of the company at all times, independent of the profit sharing plan, to pay to all employees a salary



or rate at least equal to the high prevailing rate in this section of the country for like lines of work.

“It is hoped that this plan will accomplish the following results: (1) Promote thrift; (2) increase efficiency; (3) reduce labor turnover; (4) put heart into the work; (5) create closer co-operation; (6) make better living conditions; (7) create incentive for promotion; (8) increase production and decrease costs; (9) prevent waste of material, time and labor; (10) make every one feel like a partner in the business.”

#### NEW ALBANY VENEERING COMPANY.

##### NEW ALBANY, IND.

(1919) The company, having in November, 1919, about 275 employees, the force to be increased January 1, 1920, to about 350, began operating a plan April 1, 1919, the beginning of its fiscal year. Every one on the payroll of the company except the president is a participant. Its method of allocating surplus profits was thus announced:

“Each year, after 10% has been set aside on the capital stock of the company, the balance of the profits, if any, shall be divided fifty-fifty between our employees and the stockholders.” (Pamphlet.)

#### NEWTON AND WATERTOWN GAS LIGHT COMPANY.

##### NEWTON, MASS.

(1919) W. A. Learned, president, writes, November 28, that the company has had profit sharing for about two years, all employees with the company for a year participating. A percentage of the dividends equal to that paid the stockholders is accorded to the employees in preferred stock, not to be sold without the consent of the company. All the personnel except the president participate.

Mr. Learned adds: “To make the profit sharing system a success you must pay the fullest living wage and have the profit sharing system a bonus pure and simple.” (Pamphlet.)

## NOBLESVILLE HEAT, LIGHT AND POWER COMPANY.

INDIANAPOLIS, IND.

(1919) Alex. R. Holliday, November 14:

"The profit sharing plan of this company, which was adopted June 9, 1916, was modeled after the Brooklyn Edison Company. All employees, with the exception of officers, are included. Money set aside for profit sharing is turned over to the fund managed with certain rules by the employees. The amount turned over to the fund is based on the declared common stock dividend from operation. Employees in service six months have credited to them percentage on their wages equivalent to one-fourth the rate of dividend for the same period that the dividend covers. Those one year in service have one-half the rate of dividend, and those two years in service three-quarters rate of dividend, and those three years or more in service the same rate as the dividend. Dividends were paid up to the first half of 1918, since which time none has been declared. About 20 employees participate in the dividend.

"The feeling of a few toward the fund has always been very good, but the others were indifferent. In the last two years, on account of there being no dividends and on account of the shifting of labor, there has been very little interest in it. We believe it has been somewhat beneficial toward alleviating labor troubles.

"It is not an unqualified success. The amount which the employees receive, viz., about 6% on wages, is apparently not enough to make it a decided factor. The general restlessness of labor has been more in mind than the profit sharing."

## NORRITON WOOLEN MILLS.

(J. MORTON BROWN & CO., PROPRIETORS) NORRISTOWN, PA.  
1887.

(1916) Percentage of profits, according to length of service, by agreement. Company enthusiastic at the time of publication by N. P. Gilman (1889).

(1919) No reply to inquiries.



## ORTON &amp; STEINBRENNER COMPANY.

MATERIAL HANDLING MACHINERY. CHICAGO, ILL.

(1919) P. A. Orton, November 11:

“At our plant at Huntington, Ind., we have been using a profit sharing arrangement for five years. This is still in force. We employ about 300 men. As far as we are able to ascertain the general feeling is that the arrangement is satisfactory both to the stockholders and the employees. In our opinion it has been the means of keeping away labor troubles. We have always had a sufficient force of men, even during war times. Our profit sharing is not limited to any class but is participated in from the president to the office boy. We would not state that it is an unqualified success. We still do not obtain everything that we would like to. We do feel, however, that it has been a great advantage to us.

“In general our system consists of reserving 7% for the invested capital and dividing one-half the balance among all employees. They share in direct proportion to the wages or salaries which each has received during the year, except that each employee shares to the extent of the wages earned whether he has worked the full year or not and whether discharged for cause or leaving of his own accord. Practically the only reservations are that he shall have worked 600 hours during the year under consideration and that he shall give two weeks' notice to party in charge over him of his desire to quit, provided he does so. In dividing up employees' share, each employee's wages are multiplied by a coefficient depending upon the length of time in service. Those employed after July 1 of the year under consideration have wages multiplied by 1; those employed before first of the year in question have their wages multiplied by 1.1, those in the employ on or before January 1 of the preceding year have their wages multiplied by 1.2 and so on until 1.5 is reached. The employees' share of the profits is then divided among them in strict proportion to the profits. A formal contract is made, a new one being arranged the first of each year. During the time which the arrangement has been in operation the employees' share of the profits has averaged from 7% to 194% of their actual earned wage.”

## THE OUTLOOK COMPANY.

NEW YORK CITY. 1901.

(1916) When the profits on the company's business have been determined at the end of the fiscal year, a certain percentage is paid to employees, the distribution being based on a certain percentage of each individual's wage or salary. The average number participating has been about 60, in a total average force of about 70.

The company reports: "We believe that this plan has proved a success in every way. It is greatly appreciated by all our employees, and we believe has increased their individual loyalty and efficiency."

(1919) Frank C. Hoyt, treasurer, September 11:

"There has been no change whatever in our own plan since giving information regarding it in 1916, and the average number of employees remains about the same. We regard profit sharing as an unqualified success, and we shall certainly continue it as long as there are any profits to share."

## PENINSULAR PAPER COMPANY.

YPSILANTI, MICH. 1914.

(1916) The employees are eligible who have been with the company for one year and whose services are satisfactory. These employees receive a wage dividend on the actual year's wages, reckoned at the same percentage as the shareholders of the company receive in dividends on their stock.

Employees who are discharged or whose services are unsatisfactory lose all claim to share in the profits, and the amount which is thus forfeited to the company is credited to a benefit fund for aged and disabled employees. The company states that the object of the plan is to lead the employees "to exercise the greatest possible care to guard against poor work and waste of time and material."

(1919) The company reports, September 13:

"Our profit sharing was started in April, 1914, and was continued through 1915. We are a union mill and found that the union preferred to adjust their own wage scale rather than participate in the profits, so in 1916 the plan was discontinued. We found it worked much more successfully with the office force than with the mill labor."



## THE PITTSBURGH TRUST COMPANY.

(Pittsburgh "Dispatch," November 29, 1919.)

"The Company will, to encourage thrift, urge that all employees set aside at least one-half of their share of the earnings allotted to them to be invested in the stock of the company or some other security.

"From the net profits for the year there shall be deducted an amount equal to 7% of the capital, surplus and undivided profits as of the first day of January of the current year; 15% of the residue of the net profits shall be appropriated as the share of the profits in which employees shall participate.

"The fund so created shall be allotted to the respective employees upon the following basis: 60% of the fund shall be distributed in the proportion that the salary of each officer or employee bears to the total salaries paid: 40% shall be distributed in such proportions as the monthly salary multiplied by the years of service bears to the total of such amounts for all employees who shall participate in the fund. The total obtained from the two computations shall be the amount due to each officer or employee as their proportion of the profit sharing fund for the year. Payment of the proportionate amount due each officer or employee shall be made during the following year, one-half on January 1 and the balance on July 1."

## THE ROSENBAUM COMPANY.

DRY GOODS. PITTSBURGH, PA.

(1919) M. Rothschild, president, November 12:

"We have had profit sharing plans in operation with our buyers for quite a number of years.

"We introduced profit sharing in a number of our departments with the selling force three years ago, which, however, did not work out satisfactorily. We have again introduced early this year a profit sharing plan with the selling force in every department and we have every reason to believe that it works very satisfactorily. There is no doubt, however, that the plan can still be further improved, and only experience and time will tell both to us and to our employees how the plan can be made still more satisfactory to all.

"We are also introducing now for our entire non-selling force, and that includes our entire office force, receivers, stock

clerks, porters, in fact everybody without exception, a profit sharing plan which we hope will be received and will work to the satisfaction of everybody concerned.

"The average number of our employees is about 2,000 and all participate in the plan.

"The feeling of those who benefit by the plan is a very good one. We are happy to say that we have had very little labor trouble in our establishment, firstly because the help associated with us is of a much higher class and type, and secondly, we have always tried to meet them half way and we believe we have succeeded in surrounding ourselves with satisfactory, loyal people."

### R. F. SIMMONS COMPANY.

MANUFACTURING JEWELERS. ATTLEBORO, MASS. 1902.

(1916) The employees who have rendered faithful service for at least three consecutive months are permitted to participate in the profit sharing fund, which is determined as follows:

Not less than 8% nor more than 12% of the dividend paid the stockholders is divided by the total amount of wages paid all employees. The percentage thus obtained constitutes the rate of dividend to the employee upon his salary for the year. Employees desiring to participate are required to sign a card agreeing, among other things, "to be on the pay roll three consecutive months and not to leave our employ voluntarily, or to be discharged for incompetency, or disobedience of orders."

The company reports that there has been produced a greater spirit of co-operation between the employer and the employee, but that from the nature of their business they have been able to make no tangible estimate of the increased profits. With the adoption of the plan the Christmas distribution of the two previous years was discontinued.

(1919) H. E. Sweet, October 17:

"This plan, which has been in effect since 1902, has not been materially changed. Practically the only change has been to insure an increase in the percentage of the employees' dividend, which in 1918 reached approximately 20% of the yearly wage and which we hope to increase this year.



“While no plan is a panacea for all industrial ills, yet we have felt that our policy in this respect has been a material factor in securing loyal and interested co-operation in the production of Simmons chains. Furthermore, this loyalty was put to a severe test in August, 1918, when a general strike occurred in the jewelry business here and only four (one man and three women) out of some 200 employees responded to the strike call, the rest remaining at work during the period of the strike, some ten days, despite the fact that by far the majority of the jewelry employees of this city went out on strike and in the face of vigorous and persistent picketing of our plant.”

SIMPLEX WIRE CABLE COMPANY.

BOSTON, MASS. 1901.

(1916) A definite percentage of each year's profits is divided among employees who have been with the company at least one year and whose services are satisfactory. This percentage is fixed in advance but is not publicly announced, for reasons of general business policy. The eligible employees share in proportion to their wages earned during the year, but not more than 20% will be paid under any circumstances. Since the dividends are not payable until March of the year following that in which they are earned, the employee must have been in the service 26 months before receiving his first actual payment.

The dividends paid have ranged from 7 to 18½% on the wages earned. The employees number about 550, a large proportion of whom are not in the company's employ a sufficient length of time to share in the profit distribution.

The president of the company states that the payment of the dividends in a lump sum annually has the effect in most cases of inducing employees to save or to invest the money in permanent home improvements. As to the general results of the plan, he says: “Our profit sharing was started not as a charity but as a business move, and after twelve years' experience we are convinced that it has contributed to our financial welfare as well as to our satisfaction in the conduct of the business.”

(1919) Everett Morss, president, September 25:

"Our profit sharing plan is still in force and going along about as usual and no particular changes have been made in it since 1916. It continues to be satisfactory to us and we believe it is satisfactory to our employees. We include all employees who have been in our service a sufficient length of time, except a few officials. While our plan has been in successful operation for 18 years, we believe that its success is partly due to special conditions and are by no means of the opinion that its general adoption will solve all present labor troubles."

#### STAMBAUGH-THOMPSON COMPANY.

WHOLESALE HARDWARE DEALERS. YOUNGSTOWN, OHIO. 1913.

Out of the net profits remaining at the end of the fiscal year there are first deducted fixed amounts representing a fair return on the capital invested in the business. One-half of the balance remaining after such deduction is distributed in cash among all the employees in proportion to their wages as shown by the payroll. About 100 employees participate.

The term "profits" as used by the board of directors in establishing the system, means "all profits which the employees, by their services, help to create, but does not include profits which accrue without any effort on their part, such as profits on the sale of real estate, stocks or bonds owned by the company, whether of this or other corporations, nor does it include rent from lands or buildings owned but not used by the company in its business."

The company states that it considers the plan a success.

(1919) In September this company published the following information:

In order to qualify as a genuine profit sharing plan, the following conditions must be observed:

(1) The amount distributed depends entirely on profits made in the business.

(2) The proportion to stockholders and to employees must be announced in advance.

(3) Benefit must extend to at least one-third of all employees.

(4) Method of distribution must be known to all.

Our six years' experience has convinced us—

(1) That salaries must in every case equal those paid



elsewhere for similar service. Otherwise the plan is not a profit sharing but a deferred salary plan.

(2) Employees should all participate, otherwise the organization will be divided into cliques.

(3) The percentage of division must be liberal to the employees. Otherwise the amount divided is not great enough to make it worth while to the employees.

(4) Employees must have absolute confidence in the management. Unless men at the head are above suspicion, are fair and honorable, their motives will be distrusted and the proper esprit de corps cannot be instilled.

The greatest difficulty in operating a plan like this successfully, that is, getting results commensurate with the cost, is in proving to the employees that the management is fair and just. This is due to faulty American training, to the influence of those who desire to promote class feeling, and to want of discipline. However, if the management is patient, is kind and just, it will in a few years (1) promote efficiency; (2) cut down labor turn-over; (3) and capitalize the greatest asset there is, the good will of all employees, their families and their friends.

### BERNHARD STERN & SONS.

FLOUR MILLERS. MILWAUKEE, WIS. 1914.

(1916) At the end of the fiscal year, on September 1, a certain definite percentage of the net profits is placed to the credit of a fund known as the employees' profit sharing fund.

On November 1 all employees who have been in the firm's employ one year (except those in the selling department) participate in such proportion as each employee's wages or salary for the preceding year shall bear to the entire amount paid for wages and salaries during that period to such employees. Of the 86 employees of the firm, about 65 participate.

The firm considers the plan a success. In announcing it to their employees, the objects were explained as follows:

"The purpose of the employees' profit sharing fund is not alone to enable each employee to share in a proportion of the net profits earned by the firm, but also to be an additional incentive for each employee to give the maximum of service to the firm. Each and every employee, no matter what his duties may be, can, through his own effort, aid and assist in a greater return of net profits to the firm, and it is hoped that each employee will keep this constantly in mind, and endeavor to co-operate

with the heads of departments and the members of the firm, in realizing the largest return possible in our mutual endeavor."

(1919) Walter Stern, president, October 9:

"Our profit sharing plan is still in force, and on the whole the results are satisfactory. The average number of our employees is 120, and as a rule about 75 participate in the distribution. No change or modification has been made in our plan since 1916, and we believe that the feeling by those who benefit from it is satisfactory. While it is difficult to say what effect the profit sharing has had as a means of eliminating or modifying the tendency toward labor troubles, it is considered that it has been an important factor in this regard. Our plan does not limit participants to heads of departments but includes all employees. While it can be termed by us a success, there are some discouraging features during the present period of big demand for all sorts of labor in that in several instances men have left our employ immediately after the distribution of the profits. This has been done to a greater extent recently than formerly."

#### STORRS MICA COMPANY.

MICA CHIMNEYS AND CANOPIES. OWEGO, N. Y.

(1919) A. P. Storrs, president, November 12:

"In January, 1917, we introduced a form of profit sharing by paying to our employees, numbering about 100, who had been at work for us two years or more, an additional compensation of a percentage on their wages earned during the year equal to the percentage of dividend declared on our stock for the year 1916. Those who had been with us less than two years received an amount equal to one-half the percentage of the dividend declared. The percentages were for 1916 and 1917 10% and for 1918 8%. Our normal number of employees for several years has been from 100 to 125. During the last year, owing to the scarcity of labor, this number has been reduced to from 60 to 75. This arrangement has been satisfactory to our employees in every way. Many of them have been in our employ from eight to ten years. We have never experienced any labor troubles. A considerable part of the additional compensation was invested by



our employees in the various issues of the government bonds. All of our employees, outside of the officers, participate in the distribution.”

SWEET, CAUSEY, FOSTER & Co.

INVESTMENT BANKERS. DENVER.

(1919) The firm sets aside 50% of its net profits to be divided among its salaried workers. Three-fifths of the 50% is invested in securities as determined by the company, and two-fifths is paid in cash. The basis of participation in the profits is the amount of salary and term of employment, there being six classifications. The average number of employees is 40 to 45. The feeling toward the plan is reported to be cordial. The company is not yet decided as to whether it is a success, as it went into operation only on April 1, 1919.

THE W. S. TYLER COMPANY.

MANUFACTURERS OF WIRE CLOTH AND MINING SCREEN.  
CLEVELAND, OHIO. 1915.

(1916) After 6% has been paid on the capital stock, all cash dividends are divided between the stockholders and employees as follows:

(1) Employees in the service of the company for three years or more receive same percentage as do stockholders.

(2) Employees in the service for two years but less than three years, two-thirds of the rate of cash dividends.

(3) Employees in the service for six months but less than two years, one-third of the rate of cash dividends.

Dividends apply to all employees and are based on the total amount of wages paid to each employee. Employees discharged, or leaving the company's service voluntarily, forfeit their right to share in any dividends, but those laid off for lack of work share in proportion to the wages they have actually earned.

(1919) C. Zimmerman, secretary, September 11:

“Our plan is still in force in practically the same form as in 1915, the only change being in regard to the length of time employees are required to be in the service to share in dividends. The employees now participate in full dividends after one year instead of three years.

“The results are highly satisfactory, especially as to co-operation and permanency of force. The average number of employees is 900, with practically 750 participating. The employees are very much pleased with the plan, and do not hesitate to express their appreciation of same. Inasmuch as they are virtually stockholders, they realize that labor troubles seriously affect profits, and the plan has therefore aided materially in adjusting all difficulties.

“It may be interesting to point out that since the adoption of this plan the dividends to stockholders have been increased instead of diminished and the dividends received by the employees on their yearly earnings ranged from 14% in 1915 to 34% in 1918.

“It is our opinion that under this plan the employees were placed in position to aid materially in the increase in the profits of the company.

“In regard to the method of payment, while our plan so far has provided for cash payments only, we realize that sooner or later some provision should be made for allowing employees to invest some of these dividends in stock.

“Our idea would be to issue preferred stock, for instance 7% cumulative, and allow the employees to subscribe for same on easy payments, with a provision, however, that this should be voluntary so that certain classes of employees who do not realize the value of stock ownership will not be compelled to take stock in lieu of cash dividends. This plan would overcome difficulties that arise where stock is worth several times its par value and where it is not advisable or practicable to increase the amount of outstanding stock.”

#### UNION OIL COMPANY OF CALIFORNIA.

LOS ANGELES, CAL.

(1919) The plan of this company includes all of the 3,000 persons in its service except the chairman of the board of directors and the president. It was installed January 1, 1916. The amount divided among the employees varies with the annual net profits of the company, there being a dividend of  $2\frac{1}{2}\%$  of salary or wages when the profits amount to 3% and less than 7%, the progressive advance reaching 15%. The employees receiving a salary or wages in excess of



\$1,000 may, at the option of the company, be paid their share of profits in stock or cash. The profit sharing plan is voluntary on the part of the company, and may be cancelled by the board of directors. The company considers that the plan may be regarded as a success. (Printed circulars.)

UNION SAVINGS BANK AND TRUST COMPANY.

CINCINNATI, OHIO.

(1916) A certain percentage of the company's profits above 6% on the capital stock is set aside for distribution among the employees who have been in the company's service three years or more.

The company retains charge of the accumulation of this fund, allowing a liberal rate of interest, and permits an employee to withdraw his portion only when he desires to leave the company's service, or when the amount withdrawn is to be used for investment in a home or in some security approved by the company. Such securities are kept in its custody.

The company at first made this profit sharing distribution directly to its employees, but found this to be a failure and resorted to the plan now in use. It is the belief of the management "that each of our employees receives fully the same regular salary that our competitors would give him" and that "he gives us better service than he would our competitor, as an automatic result of our profit sharing plan." The average distribution per year is estimated at between \$300 and \$400 per employee.

(1919) William L. Thede, secretary, September 5:

"Our profit sharing plan is still in force." The company issues booklets describing its profit sharing, pension and annuity funds.

The late J. G. Schmidlapp, chairman of the board of directors, referring to the plan in a booklet, wrote:

"Critics often suggest that this plan is too paternal to satisfy the average employee, and that if the dividend really belongs to him, as I contend it does, it should be given to him outright. My idea is that the employee should be consulted as to the investments made of the fund, but that unless we can teach him to save it the distribution will do more harm than good."

## WARNER HARDWARE COMPANY.

TOOLS, BUILDERS' HARDWARE, ETC. MINNEAPOLIS.

(1919) Leon C. Warner, president, states that he has studied the problem for several years with a plan in view. In January, 1919, the company issued a bulletin announcing that after 8% on the capital invested in the business had been deducted from the profits, 50% of the remainder would be apportioned to the employees, all of whom were to participate. Commissions on sales were discontinued. By the plan it was expected to avoid waste, bring expense to a minimum and promote efforts toward efficiency. The system was to be considered not as a deferred salary but as giving a profit for extra efforts in co-operation. The number of employees averages about 1,000.

Mr. Warner reports that the plan has not received from the employees the consideration he believes it deserves, although in the latter part of the year those who understood the plan showed an improved degree of steadiness and interest in their work.

## WAYNE KNITTING MILLS.

MANUFACTURERS OF HOSIERY. FORT WAYNE, IND. 1904.

(1916) The company organized a "textile industrial club" composed of heads of departments and certain officials with a membership of about fifty. A fixed percentage of the company's profits over and above the regular dividends was set aside as a club fund and a portion of this was used to build a clubhouse. From this fund also, payments in the nature of profit sharing are made to the members on a percentage basis, and small bonuses of from \$5 to \$50 are distributed among several hundred other employees, not piece workers, at the end of the year, as a matter of good will.

Social affairs of the textile club are managed by committees chosen by the members, while matters of a business nature are handled by the company. A member who fails to attend three consecutive meetings of the club without excuse is expelled and ceases to share in the profits.

(1919) The company, in a circular letter, thus describes its profit sharing system:



Ours is not a new plan resulting from war conditions or labor's new demands, but rather it is a hold-over of the old system, and must be considered from that point of view. Of course, it has undergone constant enlargement and extension with the growth of the factory. Some new and special features of constructive welfare work have been added within the last two or three years, but it would not be correct to say that they have resulted in any direct way from the war. Our policy of "working as closely in a co-operative way with labor as present industrial and economic system will allow" was introduced about 17 years ago, after a period of unrest followed by a two-months' lockout. Under this policy the management works with and through employees represented by a "union" committee, and also through the heads of departments and overseers represented by a textile industrial club.

We recognize the union, and the union recognizes the management. Annually, with the election of new officers, the union appoints a factory committee of from 12 to 15 men, who meet with the management upon a call from either side, when mutual plans, suggestions, grievances, recommendations, etc., are discussed and acted upon. These meetings are attended by the general manager, superintendent and other assistants, as well as such shop foremen as are interested in the subjects under consideration. Through this close contact of officials and working people, a better understanding of each other's wants and viewpoints is created. Naturally it took some years before sufficient confidence and mutual respect was inspired to get results and convince both sides of fairness. Neither is it entirely a one-sided proposition, for while labor presents its grievances and suggestions to the management, on the other hand the management brings its problems and grievances (affecting such questions as production, quality, labor supply, etc.) before the committee. In other words, the management uses the union quite as freely as the union uses the management. It goes without saying that while the management has obtained an ideal situation with regard to labor, quality of work, etc., the employees have also obtained a maximum of wages and bonuses, as well as a share in the profit. Yet we are not averse to saying that from the time that this arrangement became truly operative the stockholders' profits went up every year. In other words, it has proven up to this time a profitable investment for both capital and labor.

While this policy has met conditions up to this time, we are conscious of the larger expectations and requirements of both capital and labor, which may call for still more progressive measures. In this connection we may add that we have voluntarily reduced the hours of labor

to 49½ hours per week, and are planning to go to 48 hours. We have also extended the profit sharing system to all employees. This was formerly confined to heads of departments and officials. Last year this amounted to a total of 15% of the year's earnings. For our part we are expecting labor to do more intensive manufacturing by eliminating the slack in one way or another so as to give us practically the same production in 48 hours as was formerly accomplished in 52½ hours. We believe that this can be done in a majority of departments. So much for our co-operative plans with organized labor. Whether or not we will be able to continue hand in hand until we enter the "gates of Utopia" is more or less problematical.

Department heads, overseers and minor officials: Before the introduction of our co-operative and welfare system 17 years ago, our various department heads were almost strangers to each other; there was more or less friction and no co-operation. In an effort to overcome this condition we organized the Textile Industrial Club, including in its membership heads of departments, overseers, inspectors, minor officials, and certain special workers. At the same time a regular share of the general profit was set aside, the distribution of which was left with the manager, who uses his best judgment and experience in allotting the amount set aside for distribution among members at the end of the year. This profit sharing feature is used as an incentive for producing general results. Regular attendance at the bi-weekly meetings, covering a full evening, is a requisite of the profit sharing privilege and membership in the club. The manager and other active officials attend these meetings quite frequently, introducing subjects for discussion and action by the club. Otherwise the organization is quite independent, electing its own officers and preparing its own program. Important items in our business are production and quality, and these matters are a part of the regular schedule for every meeting. Six standing committees are appointed each year, all of which report regularly on their respective subjects. The management gives the organization a free hand in many ways, and has gotten in the habit for a number of years of throwing the responsibility for much of the factory work upon the club and its committees. Irregularities and disputes are ironed out, and much assistance is given the management through a proper and sympathetic interpretation of its policies and its needs. In addition, the members of this club have pretty generally taken advantage of our many educational features, something quite important, when we consider that the average shop foreman or forelady is without anything more than a "grammar school" education.



A 50-50 division of profits between the stockholders on the one hand and the active officials and employees on the other was adopted. The stockholders' share was paid out partly in cash and partly devoted to surplus. The employees' share was divided into three parts: First, officials; second, Textile Industrial Club (heads of departments and minor officials); and third, employees generally. The first two were paid in cash; the third, for employees generally, was paid partly in cash and partly devoted to special funds. One of these funds was used for the building and maintenance of a club house. Later all of these were merged into a general welfare fund, which was extended to include the following: Club house for the exclusive use of employees, old age pensions, group life insurance, accident insurance, sick benefits, poor and distress relief, free dispensary and medical attendance, educational classes, etc. . . .

The profit sharing feature has unquestionably been a live factor in the development of the business. The stockholders' earnings have steadily increased, and the earnings of the officials from the highest to the lowest, as well as those of department heads and employees generally, have been quite generous, meeting all demands and expectations. We have no recollection of an official or experienced head of a department leaving our employ to engage in a competitive business or to join a competitor. We endeavor to offer opportunities to ambitious capable men equal to those found in private enterprises or offered by competitors.

#### WILDMAN MAGAZINE AND NEWS SERVICE.

##### NEW YORK CITY.

(1919) The plan of this company for giving the employees a percentage of profits, put into effect in 1908, is still in force and affects all the writers and artists. They regard it as a beneficial scheme, and it has been modifying the tendency toward labor troubles. Stenographers do not participate.

The company states that the only hitch in the profit sharing is the fact that the employees do not understand the cost of securing and maintaining business (salesmanship and overhead). Constant explanation is required to keep them informed of the reasons of expenditure of the firm's funds.

## SPECIAL DISTRIBUTIONS.

Voluntary special distributions are in this country numerous. They are of interest mainly as reflecting the disposition of many employers to make awards to their employees without committing themselves fully to systematic annual profit sharing. In many cases the motives for giving the largess are obviously mixed. On this point the letters which follow afford a variety of testimony. The forms of giving cover a wide range, from the petty to the substantial. Among them are the following:

Cash payments, determined arbitrarily by the employer, at the end of a business period, usually the year.

Relief funds—sickness, accident, death, pension—maintained wholly or in part by the employer.

Liberal interest to employees on savings deposited with the employer.

Rewards for prompt attendance or efficient work or for civic merits.

Life insurance, paid by the employer, in cases based on efficiency or term of service.

Loans to employees without interest or at nominal rate.

Discounts on commodities sold to employees.

Bonuses, especially at Christmas or Thanksgiving.

Prizes for shop suggestions or home improvements such as gardens.

Free transportation.

Meals supplied to employees free or at nominal prices.

[The date (1916) indicates that the printed matter following appeared in the edition of this book for that year; (1919) or (1920) indicates the date of the new report. A date in a sub-heading indicates the year in which the experiment under notice began.]

### ADVANCE PUMP AND COMPRESSOR COMPANY.

BATTLE CREEK, MICH.

(1919) L. B. Anderson, treasurer, November 11:

“This company has no particular type of profit sharing except that of giving our employees at the end of the year,



from the manager down to the lowest paid employee, a 5% bonus upon the amount of wages which he has drawn during the year. This is paid to him just before December 25. We have not investigated the matter to see if our people prefer any other method than that of bonus system, but we have heard of others who have given bonuses where employees prefer to have the amount weekly or monthly in their pay envelope."

THE ALEXANDER HAMILTON INSTITUTE.

NEW YORK CITY.

(1916) All employees who have been in the service of the Institute one year or more are given a bonus of 5% on their annual salaries. The distribution is made at the holiday season.

(1919) Dwight E. Beebe, director of service, October 18:

"We have no profit sharing plan at the present time. We do maintain, however, a bonus plan. We have under consideration a profit sharing plan which we hope to put into operation in the early future. Just as soon as this plan has been decided upon, I shall take pleasure in giving you the details."

The Institute issued in 1919, its "Modern Business Report No. 14," a pamphlet on "Profit Sharing," with descriptions of typical methods. A conclusion was:

"While it is realized that no one method of reward will smooth away all difficulties arising between the employer and the worker, it has been made evident that profit sharing wisely directed has proved itself as effective in so doing as any agency which has yet been tried."

W. D. ALLEN MANUFACTURING COMPANY.

CHICAGO.

(1919) W. D. Allen, November 11:

"We have been a profit sharing concern to a modified extent for about twenty years. We have about 300 employees, 150 in our office and 150 in our factory. They all participate even if to a very little extent. If we hire a scrub-woman the day before the distribution is given out, she gets

two dollars or something like that to send her home happy. We give it to everybody except the four members of the firm. As far as we know, our people like the scheme very much, whether it bears anything more than a sentimental feeling, we do not know. We are inclined to think that in our factory it has rather modified the tendency toward strikes. Of course, in the office, we have a very different class of people and there never was any danger of strikes. As for its being an unqualified success, everything is that these days.

"It may be a strange thing for us to say, but we keep up this profit sharing proposition as much for the pleasure of doing it as anything else. Our business year ends December 1 and by the 20th of December we usually have the figures upon which to base the rate of Christmas dividend, as we call it, so that along about Christmas time we have a very happy family. Our figures are, of course, small. We divided last year with our people, about \$12,000.

"We have a card index system on which the record of each employee is put down, length of service, possibly some remarks by the head of the department as to the record, and on that we base the amount of dividend. Last year we gave out for instance to our stenographers \$50 each, at least those who have been with us any length of time. The brass molders in the shop who have been with us a number of years and whose records were good got the same amount, and if our employees get half as much fun out of it as the members of the firm do then it is a success. We have this feeling too, that you have got to go into all these schemes in the right spirit. If the employees thought for a minute that we were giving lower wages because we gave this Christmas dividend, they would probably spoil the whole thing. Our experience in things like this and welfare work, is unless you do it in the right spirit, your people feel the insincerity of it."

#### ALUMINUM GOODS MANUFACTURING COMPANY.

MANITOWOC, WIS.

(1919) George Vits, president, November 13:

"The average number of employees we have is 2,800. Our bonus plan is satisfactory and is accepted by all except a few who are strong labor union men. It has been the means of modifying labor troubles and has helped us in our labor



turnover. It includes all of our employees except the directors. We claim our bonus plan is a success but we do not know of any plan that under the present conditions can be called a 100% success. We also carry for our employees an employee's insurance the expense of which is borne by our company. We have no profit sharing nor any percentage of our profits. We are giving this bonus mainly to keep down our labor turnover.

"Our plan is this: We set aside 10% of our labor cost including our office or non-productive labor. This is payable the following year. For instance, on January, 1919, we paid our employees 5% bonus on their wages for the first half of 1918. We paid another 5% bonus on July 5, 1919, for the last half of 1918. When the last payment was made we found that there was a surplus owing to the fact that some of our employees who were entitled to the bonus were no longer in our employ at the time the second bonus was paid, so we gave those who were at work an additional 2½%.

"Our bonus did not prevent us from having labor troubles at one of our plants but the trouble was not confined to our plant alone. The agitators came to a small city where we have our plant and called out all the labor in all of the manufacturing institutions in the city to the number of six."

#### THE AMERICAN APPRAISAL COMPANY.

MILWAUKEE, WIS.

(1919) From the librarian, November 14:

"Our present bonus plan was inaugurated March 1, 1917, and is based upon the computation of one point for each year of continuous service, one point for each \$100 of annual salary of each employee. The value per point is determined according to the earnings for the respective periods. The first bonus was paid on a yearly basis, but after the first year the bonuses have been paid quarterly. In addition to the regular bonus, special bonuses are paid at the same time, being arbitrary amounts determined by the management as a special reward for meritorious services of department heads and the more aggressive employees in the rank and file. The company carries a group insurance policy, insuring the lives of every employee of six months' standing; the policies ranging from \$500 to \$1,500. The company compensates em-

ployees when incapacitated on account of accident or sickness for amounts and for a period of time depending upon their years of service with the company. Employees who have been with the company over six months and not over one year receive full salary for the first week's disability, and one-half salary for the remaining weeks for one month; and additional two weeks of one-half salary for each additional year of continuous service with the company, but not duplicating any other industrial compensation paid for by the company.

"The average number of our employees is 650 at this time, and of these about 400 participate in the plan. The feeling toward the plan, by those for whose benefit it was intended, is appreciative and enthusiastic. We employ no labor; our personnel being made up of professional appraisal talent and office clerical employees. Our bonus plan is not limited to heads of departments but includes the rank and file with every employee eligible to participate after being in the employ of the company for one year. While there have been a few individual scoffers who have advanced the old plaint that they would prefer a wage increase instead of a bonus, we do regard our plan as an unqualified success."

#### AMERICAN BLOWER COMPANY.

FANS, ENGINES, HEATERS, ETC. DETROIT, MICH.

(1919) J. F. G. Miller, vice-president and treasurer, November 12:

"We have a shop profit sharing plan in operation in this company, which was started August 1, 1917. We set aside a certain percentage of the profits each month for distribution monthly to all employees who are eligible under our rules. All employees are eligible except executive officers, sales or other employees operating under a bonus system of profit sharing, shop employees who have been on our payroll less than three months, office employees who have been on our payroll less than six months.

The normal number of employees of this company is about 1,000; about half participate in the profit sharing plan. Employees, who are eligible on account of length of service and position must also have attendance and performance records up to a satisfactory mark. It is our opinion that em-



employees look upon profit sharing principally as additional wages and retain their connection with the company, if they do, not because they participate in the profits, but because their wages plus profit sharing are equal to or better than they can obtain in other plants, other conditions also being equal. We think this attitude on the part of employees is not altogether their fault. The character of the work which we do is such that it is extremely difficult to measure the performance of each individual employee so that he can know from his own eyes when his work is above the average entitling him to profits and when it is not. As we go along, we develop the system which we installed so that as far as possible an employee can measure the results of his own efforts.

“We do not regard our system as an unqualified success for the reason stated above. We have a system of profit sharing on a bonus plan, which is applied to our sales force, which we think is an almost unqualified success, the reasons being that salesmen can measure the results of their own work almost exactly and as a class they have a higher economic education than shop men. One good effect of our shop profit sharing plan is that since the distribution of profits depends somewhat upon attendance, the average record of attendance is better than it was prior to its installation.”

#### AMERICAN SMELTING AND REFINING COMPANY.

##### NEW YORK.

(1919) Roger W. Straus, assistant to the president, November 11:

“This company has at present no profit sharing plan in effect, although it has been the custom for many years that when our profits are above a certain amount we give bonuses to all salaried employees of the company based upon a percentage of their yearly salary. This percentage varies with the profits made during the previous year, and is voted by the board of directors. So far as the wage-earners are concerned, the board has in the past at the same time as voting the bonus laid aside certain funds of money to enlarge our work among employees along the lines of pensions and life insurance. This company is, however, interested in profit sharing plans, and is trying to make a study of them.”

## ANCHOR POST IRON WORKS.

GARWOOD, N. J. 1911.

(1916) H. G. Thomson, president, February 29:

"We are a manufacturing corporation, our factory being at Garwood, New Jersey, and in addition to our shop men we employ an equal or larger force of workmen outside the factory for the setting up of our fences, railings and gates, 150 in all.

"The company has had for a number of years a profit sharing arrangement, only including, however, about a half dozen of the chief executives or department heads, and three of our branch managers in Boston, Hartford and Philadelphia.

"Our profit sharing plan is for cash distribution at the end of each year, based on salary and the net profits of the preceding year.

"We regard it as successful as far as it goes. We are inclined to think, however, that it is too narrow in its scope and should be modified so as to include more individuals than now participate.

"I have always been of the opinion that profit sharing which included workmen and mechanics, either inside the factory or outside, was not a very satisfactory arrangement from the employer's point of view; that the real way of paying extra wages, if that is desirable, should be in the shape of a bonus on work actually performed over and above the average daily output, provided that can be easily and quickly computed; that the deferred profit sharing, as far as workmen are concerned, is very likely to create a feeling of discontent whenever the profits, as they sometimes do, fall below those of previous years.

"We do feel, however, that something of advantage could be worked out to include practically all of our office force and factory heads, who are, of course, in very much closer touch with the trend of the business from month to month, and are, we think, of unusually high order and intelligence, loyalty and faithfulness to the interests of the firm.

"We have a committee of our board of directors investigating this whole question. The question is so complicated and has so many pros and cons that I am very much in doubt



at the present time as to what method, if any, would be desirable.

“As I look at the matter, if profit sharing is desirable at all, it should not be on a fixed percentage for all based on the amount of salary each is receiving, but that rather there should be two, three or four classes of employees each receiving a different rate of bonus. In other words the executive or department heads, who are in a large measure responsible for the success of the business, should be in a group by themselves as we now have it, and should receive a larger degree of bonus than the others. If this group of employees is the right one, an office boy, for example, would be in the lowest class. If by energy and intelligence he were promoted to be a salesman, he would then step up into a higher class, where the year's division of profits would be more attractive. If from that he became a sales manager or head of a branch office, he would be promoted in a still higher class, and finally if he became a director of the company he would be in the highest class of all.

“The stock of our company is only held in the hands of a few individuals, and we have never had any general distribution of it, although we might do that at some later day. I do not believe in a concern selling its stock to its employees, unless possibly it be a company like the United States Steel, where the stock is largely in the hands of the public, is traded in from day to day and has a definite value from day to day.”

(1919) President Thomson writes, September 5:

“The plan of 1916 has been continued and we have since added group insurance for the benefit of all of our workers.

“The profit sharing plan, we believe, has worked beneficially in all of the higher classes, that is, executives, branch managers, salesmen, stenographers, draughtsmen and clerical force in general. With the workmen at the factory and outside erectors, such as we employ, it is very doubtful whether profit sharing accomplishes its true purpose. At any rate we feel that ours does not and that some better plan of immediate reward for good service, such as a bonus on production, would be better than a deferred profit sharing. The committee having this matter in charge may therefore modify our plans to this extent, and other than that we intend to carry it on as we have done in the past until something better is demonstrated.”

## ART IN BUTTONS.

ROCHESTER, N. Y.

(1916) In the sharing of profits among the heads of departments and the rank and file, both in cash and stock distributions, there are taken into consideration all possible factors such as length and quality of service, individual achievements and faithful attendance. In some departments, half the operators have been recipients but the general average is less than one-quarter of the employees.

(1919) The company reports: "Our profit sharing plan stands practically as it was in 1916."

## ATHERTON FURNITURE COMPANY.

BROCKTON, MASS. 1914.

(1916) Beginning with the year 1914, the company gave each employee who had been in its employ for one year or more a cash bonus of 2% of his yearly salary.

The company continued the plan for the year 1915.

(1919) L. B. Atherton, October 8:

"Our profit sharing plan is still in force, and there has not been any change except to increase the percentage of the annual salaries. Since adopting this plan we have given all of our regular employees a percentage of their annual salaries at the end of each year, as follows: 1915, 2%; 1916, 4%; 1917, 4%; 1918, 6%.

"We believe this plan has helped to retain our employees, has made them better satisfied; they have taken more interest in their work and have been more loyal to the company. We employ an average of about fifty in our Brockton store."

## ATLAS UNDERWEAR COMPANY.

RICHMOND, IND. 1916.

(1916) The company announced in January that bonuses amounting to nearly \$10,000 would be paid to the employees who remained with the company until December 15, 1916. The distribution per employee will be between \$12 and \$13. Persons entering the employ of the company after February 1 will receive, on December 15, \$1 for each month



they have been in service. In addition, special cash prizes will be given as rewards for faithful attendance, punctuality and service.

(1919) A. L. Flesh, vice-president, October 10:

"Our profit sharing plan has been changed from the plan as originally adopted. It is too early to make any intelligent report upon the success of our present system, except that since its adoption there has been an improvement in regular attendance. The old system was discarded in order primarily to make a larger distribution, and secondarily to make these distributions at shorter intervals."

An illustration of the new system is as follows:

Week's earnings on piece or day work basis.....	\$15.00
7% premium for regular attendance.....	1.05
3% premium for maintenance of production.....	.45
<hr/>	
Total week's earnings.....	\$16.50

Average earnings are computed anew every four weeks. Any weeks of missed time are eliminated from the four weeks' period in figuring the average. This premium system is open to every employee of the Atlas, both piece-workers and day-workers, with the exception of foremen and second-hands who are employed on a straight time basis. These foremen and second-hands are rewarded at the end of the year with special premiums.

#### WALTER BAKER & Co., LTD.

MANUFACTURERS CHOCOLATE AND COCOA PREPARATIONS.

BOSTON, MASS. 1904.

(1916) Employees having served one full year, are given a bonus of 5% of their earnings; those who have served over that time receive 10%. This distribution is made upon the vote of the directors at the end of each year and depends upon the profitable outcome of the year's business.

In 1914 the company had 650 employees.

(1919) H. C. Gallagher, president, September 8:

"We have made no change whatever since our last report relative to our special distribution plan to the employees, which has been in operation now a number of years and is still in force. All of our factory employees participate. We

can only say that we would not continue this plan unless we felt that it was of mutual benefit. Salaried employees or officers are not included in this special distribution."

### BAY STATE MILLING COMPANY.

MILLERS OF HARD SPRING WHEAT AND RYE. WINONA, MINN.

(1919) B. J. Rothwell, president, November 10:

"The companies with which the writer is connected as president, viz., Bay State Milling Company, Winona, Minn., and the Lawrenceburg Roller Mills Company, Lawrenceburg, Ind., put into effect some four years ago a bonus system by the operation of which all the employees in the mills and offices with the exception of the executive officers who are on the payrolls of the companies December 31 each year, receive 10% of the wage or salary paid them during the preceding year. No distinction is made as to whether the individual has been in the employ of the company the entire year or for a longer period, or whether a relatively newcomer. In addition, the companies provide, at their expense, life and disability insurance policies for \$1,000 on each employee in the mills and offices. These policies can be continued by the employees should they leave our employ by simply continuing to pay the premiums, so that we do not undertake to restrict the freedom of change.

"The theory adopted was that the earnings of the individual represented an equivalent investment in a 10% stock of the company. In fixing base wages and salary we have disregarded this bonus. Payment of it is contingent upon 6% having first been set aside on the book value of the capital stock.

"The average number of employees is, approximately, 450. We are not convinced as to its being of any particular advantage. It is probably appreciated by most of the office force and heads of departments. It is a question whether it has any special appreciation with the rank and file. We are inclined to believe that it has grown somewhat in this respect, having first been viewed with suspicion. We are also inclined to believe that the insurance feature has to a certain extent stabilized our labor, although our labor turnover has never



been high, our mills being located in the country, and the population not being as migratory as in larger places.”

### BEECH-NUT PACKING COMPANY.

PURE FOOD PRODUCTS. CANAJOHARIE, N. Y. 1912.

(1916) The company pays to each employee who has been in its employ for at least one year \$3 for every year of service. The bonus is paid in cash about the holiday period. Of the total force of 776, in 1914, 422 shared in the distribution.

(1919) The company reports, September 10, that, in addition, “for several years around New Year we have made a cash distribution in which managers, superintendents, foremen and others holding positions of responsibility have participated.”

### BEMIS BRO. BAG COMPANY.

ST. LOUIS, MO. 1912.

(1916) All officials getting a salary above the average are given a bonus depending directly upon the amount of the annual salary paid and amount of common dividend declared by the company.

The second plan applies to all other employees of the company, and ranges from 2% for one to two years' service to 20% for over ten years' service.

It was inaugurated to encourage faithful, efficient work, and under it each year a premium is paid based upon the amount of wages and dependent upon the length of faithful, efficient, continuous service.

The company reports that the plan has not been an unqualified success for the following reasons:

1. From an economic point of view, it has given too great a premium to the older employees after passing the time when their efficiency can be increased or maintained.

2. On account of the very short length of time during which in these days most of the younger women work, it does not seem to provide the incentive to the less experienced hands which had been expected.

A modification of the plan to meet these deficiencies is under consideration.

(1919) The Bemis Bro. Bag Co. has branches at the following points, at all of which the same plan is in effect:

Bemis Bro. Bag Co., St. Louis, Mo.; Minneapolis, Minn.; Indianapolis, Ind.; Kansas City, Mo.; Omaha, Neb.; New Orleans, La.; Memphis, Tenn.; San Francisco, Calif.; Seattle, Wash.; Houston, Texas.; Winnipeg, Manitoba; Peoria, Ill.; the Home Cotton Mills, St. Louis, Mo., and the Indianapolis Bleaching Co., Indianapolis, Ind.

A. F. Bemis, president, writes, September 26, describing the company's methods:

"Since the special distribution plan affects two distinct groups of people differently, I have listed my answers under two headings as follows:

"Plan A refers to the bonus class.

"Plan B refers to the wage premium class.

#### A—SALARY BONUS PLAN.

Each employee of the Bemis Bro. Bag Co. who receives during the calendar year a fixed salary at the rate of \$1,800 or more per annum will receive additional compensation contingent upon any declaration of a cash dividend on the common stock of the company between February 2 of that year and February 1 of the year following, the amount of such additional compensation being determined by multiplying said fixed annual salary by twice the percentum rate of the dividend declared, the additional compensation being payable upon the same date as the dividend is payable to the stockholders; provided that no employee to whom additional compensation has been offered based on length of service and wages earned, under the wage premium plan applying to employees receiving less than \$1,800 per year, will be offered additional compensation under this resolution unless he first waives all claim to compensation under the other offer. This bonus does not apply, nor is the company in any way obligated to pay the bonus, upon stock dividends or other similar distribution of profits or capital nor in any distribution due purely to a reorganization of the company.

#### B—WAGE PREMIUM PLAN.

This plan applies to all employees of the company who receive salaries or wages at the rate of less than \$1,800 per year. The amount of the premium depends upon the length of efficient, faithful, and continuous service and is



based on the actual amount of wages received during the six months ending May 31 and November 30, respectively, and according to the following schedule of service and percentages of wages:

Employees whose length of efficient, faithful, and continuous service on May 31 and November 30, has been

If still in the active service of the company will receive on or about July 10 and January 10 a premium based upon the following percentages of wages received during the six months ending May 31 and November 30, respectively

0	1 year	10%
1 year	2 years	11%
2 years	3 "	12%
3 "	4 "	13%
4 "	5 "	14%
5 "	6 "	15%
6 "	7 "	16%
7 "	8 "	17%
8 "	9 "	18%
9 "	10 "	19%
More than 10 years		20%

"Plan A is still in force.

"Plan B is still in force with modifications.

"Plan A has probably materially interested those subject to its provision in the company's profits and stimulated their endeavor.

"Plan B has probably tended directly to stabilize and stimulate loyalty among our older factory workers and office employees. The younger employees apparently disregard it.

"Plan A affects an average number of 125 employees. The number participating is 125.

"Plan B affects an average number of 5,000 employees. The number participating is 5,000.

"Plan A remains unchanged since 1916.

"Plan B was modified once at the end of 1917 when we increased the percentages owing to war conditions and cut down the initial length of service required to become eligible to this premium from one year to six months, the percentages ranging from 10% for this initial length of service to 20% for more than 10 years' service, the premium being distributed twice yearly instead of only once as heretofore. It was

again changed in June, 1918, the percentages remaining the same but the initial length of service being reduced from six months to nothing.

"Plan A has produced a kindly feeling, contingent to a large extent upon the prosperity of the company and the regularity of payments. On the one occasion, when we passed a dividend and consequently made no bonus payments, we found that quite a few employees had made up their own personal budgets including these expected payments as part of their fixed incomes and in some cases had spent the expected bonus in advance, which produced some dissatisfaction, although this was simply a personal issue and not the fault of the plan.

"Plan B.—The factory workers look upon this as part of their pay anyway and they would prefer to have it in their weekly pay envelope. In some cases the fact that the payment is deferred leads to dissatisfaction. The feeling toward the plan by office employees is probably kindly.

"Plan A.—These employees are outside of the class from which we would expect concerted labor trouble.

"Plan B has modified but not eliminated labor trouble since it dampens the effect which any outside agitator might have upon our employees during the period just previous to payment. Notwithstanding this we have seen evidence of factory employees quitting work immediately after payment, either temporarily or permanently.

"Whereas neither plan can be called unqualifiedly a success, Plan A has worked very satisfactorily, and we have every present intention of continuing it and have no concrete views as to how we might improve it.

"Plan B, however, has worked with only average success toward accomplishing our aims. In this class our aim has been to increase and maintain the interest of the employee in his work and his loyalty to the company. The plan is not really profit sharing as ordinarily known. It is rather a wage plan, simply to recognize in a specific way the productive value of faithful, efficient work as a stimulant to faithfulness and efficiency, and as indicated above, has had some measure of success—much more with the older employees than with the new hands.

"However, our experience with Plan B throws an important light on the problem of actual sharing of profits with



the main body of employees coming under this class. Our experience with Plan B, as described above, quite clearly indicates to us that were we to modify this plan it would be in the direction of premiums or bonuses to be added to the weekly wage for quality and quantity of work done, rather than in the direction of the distribution of an annual or even quarterly money payment based upon the profits of the company."

### BEST & Co.

DEPARTMENT STORE. NEW YORK CITY.

The bonus distribution for 1919 exceeded the sum of \$150,000. Checks went to more than 800 of the "non-selling" employees, reaching practically every member of the organization employed previous to October 1. This distribution does not include the commissions distributed monthly to the entire sales force.

### THE BOARDWALK NATIONAL BANK.

ATLANTIC CITY, N. J. 1914.

(1916) A cash distribution is made to employees, varying according to their salaries, of 10% of the increase in the yearly profits of the firm.

(1919) William C. Boyer, assistant cashier, December 24:

"We have no really established plan of distribution of profits among employees. Our rule is, generally, to take 10% of increased profits over preceding year and divide pro rata. This year we divided \$1,500."

### BOSSEMEYER BROTHERS.

GRAIN MERCHANTS. SUPERIOR, NEB.

(1919) E. Bossemeyer, Jr., November 26:

"We have never been able to establish profit sharing in our business. For several years past we have paid each employee who has been with us a full year a dividend based on the salary he has drawn during the year. Our employees understand that this depends on the business making a profit

for the year. We believe that it stimulates loyalty and makes a slower labor turnover, which is desirable."

### BOTANY WORSTED MILLS.

PASSAIC, N. J. 1915.

(1916) In December, 1915, a distribution of about \$31,000 among the employees was reported, those in the service five years receiving \$10; 10 years, \$25; 15 years, \$50; and 20 years or more, \$100. It is understood that about 100 men received the maximum of \$100 each. It is not stated whether a similar distribution is to be made each year.

(1919) C. Schlachter, superintendent, October 17:

"The Christmas gratuities distributed among our employees in December, 1918, amounted to approximately \$52,000; those in service two years receiving \$10; four years, \$15; six years, \$20; eight years, \$25; 10 years, \$30; and 20 years or more, \$50."

The company introduced in June, 1919, a "bounty plan," by which in case of death the beneficiary of a wage-earner whose pay had been less than \$50 a week is given the equivalent of a year's wages of the deceased, not exceeding \$1,000. The announcement of the bounty plan concludes with this statement: "The present employees of this company shall be entitled to participate in the foregoing plan notwithstanding their participation in the recent strike at the mill of the company, which shall be deemed not to have interrupted an employment which otherwise would have been a continuous employment during the past year."

### BOWSER TANK AND PUMP WORKS.

FORT WAYNE, IND. 1915.

(1916) The company had used a premium system, based on individual time saving, but found it not an unqualified success, and in November, 1915, replaced it with a dividend plan based on the collective efficiency of the entire manufacturing department. The factory employees, consisting of about 550 men, will be paid monthly a bonus in proportion to their wages. The plan also includes a reduction in the



working day from 9 to 8½ hours with no reduction in the day's pay.

(1919) S. B. Bechtel, general manager, states that the plan is no longer in operation, having failed, principally due to the fact of the enormous difficulty, if not impossibility, of arriving at a figure which could be said to represent, even approximately, the savings which were supposed to form the basis for the plan. This plan accordingly evolved into nothing more nor less than a high-cost-of-living bonus, which in turn was discontinued, the various percentages, for the most part, being incorporated directly into wages.

Since June 1, 1917, there has been in effect a plan, not of profit sharing, but of awarding employees, both factory and office, according to the length of continuous service a bonus consisting of cash and vacation. The cash award fund is determined each year by the gross shipments, and the individual's award is then determined by a schedule. (Described in a booklet.) The value of each share for the award year 1917-1918 was \$12,245, so that an employee who had to his credit 10 years of service received not less than \$122.45. On account of some unusual conditions, the value of each share for the award year 1918-1919 was \$14.60, so that the 10-year man received this year not less than \$146. In addition, vacations were granted in accordance with a printed schedule.

#### BRADLEY KNITTING COMPANY.

DELAVER, WIS.

(1919) J. J. Phoenix, president, November 14:

"This company has usually established a base rate of pay during the year as conditions required, and given bonuses of 10% cumulative covering increased living costs. The past year we have given three of these 10% bonuses, which are now included in our base rate. In addition to this, we have a 7% "attendance bonus" which is paid in December, and in a way is equivalent to the 7% paid on our preferred stock. The payment of the executives and department heads is based on a drawing account plus a share of the net profits during the year. Both of these plans have contributed to the efficiency and loyalty of the employees and department heads."

## BRIDGEPORT BRASS COMPANY.

BRIDGEPORT, CONN.

(1919) Robert H. Booth, superintendent of rates and labor, November 17:

"We do not have in operation in any of our plants any plan whereby the workers participate in the profits of the corporation, unless they happen to be stockholders, as a few of them are. We do, however, have a plan whereby we distribute at regular intervals among the workers of any department a share of the benefits of the profitable operation of their own particular department.

"It happens that we call this plan of profit sharing a profit sharing bonus plan, to distinguish it from the ordinary profit sharing plan in which profits of a corporation are divided among the workers. We believe that our plan is better than the latter, because workers of any department have a very small influence on the profitable operation of a corporation of any considerable size, but the influence of the workers on the profitable operation of their own department is powerful, and we believe that the members of the organization of any department that operates on a profitable basis should have adequate recognition, regardless of whether the entire business operates at a profit or not.

"Our plan was inaugurated on March 1, 1919. It is still operating and being developed and amplified as rapidly as possible. The average number of employees in the departments now operating under our profit sharing bonus plan is approximately 700. Clerks, foremen, messenger boys, in short all of the employees in the department concerned, are participants. Both foremen who are on a salary and workers who are on hourly wage rates join in the statement that it is the fairest proposition that they have ever heard of. We believe that this has been one of the beneficial factors contributing toward our freedom from labor troubles during the past year when they have been prevalent in other concerns in this industry and in this city. Our freedom from labor troubles has, however, resulted entirely from the square deal industrial policy of this company, of which our profit sharing bonus plan is only a part, although we believe a very important part. Our plan affects every member of the depart-



mental organization from top to bottom in proportion to the value of his work to the departmental organization. Every day's operation of the plan and every additional step in its development adds to the very gratifying success which has attended its operation to date."

#### BROADALBIN KNITTING COMPANY.

BROADALBIN, N. Y. 1916.

(1916) On January 6, 1916, the employees received a dividend of 5% on wages earned during the month of December. The company announced that similar dividends will be paid for the first six months and the last six months of 1916, respectively, to all employees who shall have been in the service continuously during the periods named, unless laid off for lack of work or prevented by illness or other good reason.

In order to share in this distribution employees must be "diligent in their work and show by their energy and conduct that they are doing their part to make the business a success." The company states that if this scheme results in an increased production of well-made goods it will be continued, dependent upon the earnings of the business. It is understood that an expenditure of about \$5,000 for 1916 is involved.

(1919) A representative of the company writes, October 8: "We are not using any profit sharing plan at this time, nor are we paying any bonuses to our employees. We found they were better satisfied to get their money at the regular pay day than to hand it out to them through any other methods."

#### BY-PRODUCTS COKE CORPORATION.

SYRACUSE, N. Y.

(1916) The plan of this company is similar to that of the Solvay Process Company, the two corporations being very closely allied.

## SAMUEL CABOT, INC.

MANUFACTURING CHEMISTS. BOSTON, MASS. 1886.

(1916) A certain share of the profits, not stated in advance, is set aside every six months for division among employees in proportion to their earnings. All employees who have been with the company six months, and who sign the profit sharing agreement, are eligible. This agreement defines the conditions of the distribution, and specifies that any employee who is discharged or leaves the service in bad standing forfeits his share, which is divided among the other shareholders. An employee who gives 60 days' notice of intention to leave retains his interest in the fund, which is paid to him in three annual instalments, provided he does nothing to injure the company in the meantime. One-half of each man's share is paid to him in cash and the other half is invested by the company for his benefit. From this latter credit the company may at its discretion make payments to the employee in case of sickness, and the fund may be mortgaged to help a man build a house.

The average number of employees is 100, of whom about 80 participate. The plan was adopted because of the belief of Samuel Cabot, Sr., as expressed in an article in the "Review of Reviews" some years ago, that: "At a very early period in my business experience it appeared to me that the rewards ordinarily offered to the wage-earner were not such as to stimulate him to the best exertion nor foster in him the best and kindest feelings toward his employer."

The present president of the company states his belief that the system is a success, but doubts whether it would be successful in any much larger plant.

(1919) M. G. Bennett, general manager, October 8:

"The profit sharing plan is still in force. The results are satisfactory. About 100 people participate. No change has been made since 1916."

## CADILLAC HANDLE COMPANY.

LUMBER AND BROOMHANDLES. CADILLAC, MICH. 1914.

(1916) Those employees who have been in the service of the company for at least one year are paid 3% of their



total earnings. Those who have been in the service two years obtain 5%; those in the service for three years, 6%.

These payments are dependent, however, on the ability of the company to make these distributions. The plan only applies to the rank and file and does not include heads of departments or members of the office force.

The company is "not prepared to say that it is or is not an unqualified success." The principal object was to promote more continuous service on the part of employees.

(1919) This company has had in operation since 1913 a bonus system of 3% on earnings for first year of service, with a progressive increase for the second and third year, when the maximum is reached. The participants range from 35 to 40. A. W. Newark, secretary, states that the company has concluded that the larger number of employees feel that they want done to-day, right off, what is intended to be done by the employers some other day. As high a wage as can be obtained is wanted without waiting.

#### THE CASWELL-RUNYAN COMPANY.

MANUFACTURERS OF CEDAR CHESTS. HUNTINGTON, IND. 1915.

(1916) In December, 1915, the company announced the adoption of a profit sharing plan for the benefit of its 400 employees. The distribution ranges from 1% on yearly wages for those who have been in the service one year to 5% for those who have remained with the company five years or longer. The total of these payments is about \$10,000.

(1919) The company gives the information that it conducts its bonus plan as in 1916, with an average of 100 employees, and has no labor troubles.

In addition to this bonus plan it credits each employee with \$1 for a full week's time, payment being made the pay-day before Christmas. This has been found advantageous in reducing turnover. Besides, to the shop foremen and office employees there is distributed each month one-half of 1% of the net shipments. To the foremen are given equal amounts, and to the office employees according to salaries. It has been the company's experience that with the three plans its product is up to the normal. Figures recently compiled indicate that the product per man is but 11½% less than in 1915. Its report concludes:

"It has been our observation that any profit sharing scheme dealing with the net profits of the corporation or stock holding interests has not proved satisfactory either to the employer or employee."

CHILDS.

RESTAURANTS. NEW YORK.

(1919) F. C. Lane, for the company, November 12:

"We have not yet introduced any definite plan, although we have been and are now considering several and will probably inaugurate one when it has been decided which will be the most beneficial. However, we do pay a monthly bonus of 10% of the wages of employees who give continuous service during the month. This probably affects 4,500 or more of our 5,000 employees and is very popular with the employees as well as beneficial to the company. We also finance the purchase of the company's common stock for such employees as wish to take advantage of our plan, which is, briefly, to purchase the stock at the prevailing market price and accept monthly payments on it until paid for."

THE CLEVELAND TWIST DRILL COMPANY.

CLEVELAND, OHIO. 1915.

(1916) After 8% is paid on the company's stock all additional dividends declared will be divided between the stockholders, in proportion to the amount of stock held, and the employees in proportion to the wages earned during the preceding year. The share of employees who have been continuously in the service for at least two years will be at the same rate as that of the stockholders. Those in the company's employ one year but less than two will receive three-fourths of this rate and those in the service less than one year will receive one-half the rate. Only bona-fide employees in good standing will participate, but those laid off for lack of work or for sickness will share to the extent of the wages actually earned during the dividend period.

The company emphasizes the fact that the plan is purely voluntary and that the right is reserved to discharge an employee and thereby terminate his participation in the profit division at any time.

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(1919) Jacob D. Cox, Jr., president, October 20:

"Our special dividend sharing plan adopted in the fall of 1915 is still in force. During the first two or three years it was greatly liked by the employees and seemed to have an excellent effect. It certainly tended to reduce labor turnover during the war, particularly among our older employees, who were the backbone of our organization, and without whom we should have been in a very bad way.

"During the last two years, on account of the heavy war taxes, the distributions have been declining and seem to have a much less effect on the employees. In fact the employees seem to feel that their share of the profits is really only a part of their wages which has been held back, and they feel some dissatisfaction at this condition. It is our belief that this is due to misunderstanding and to ignorance of business rather than to any defect in the plan, and we expect by education to overcome this, but have been so busy we have not had time to undertake the educational work up to now. In other words, it seems to us that profit sharing by itself is not assured of success unless there is educational work done with it.

"We also are in some doubt as to the desirability of paying profit sharing in cash, but believe that it is much better if it can be arranged to pay in stock or some form of interest bearing securities. The relation of stock ownership is understood by every one, and the employee appreciates the stock he receives and understands what is the source of the income he receives from it. But a system of profit sharing where the returns are paid in cash seems to him only a method of paying a part of his wages in a way that is distasteful to him, or at least is apt to be so. We have, consequently, adopted an addition to our plan in the form of a participating note, which the employees are permitted to purchase with their profit sharing dividends or with other savings. As yet this privilege has been extended only to a limited number of men occupying positions with some degree of executive responsibility. This includes salesmen, heads of departments in the office, foremen, assistant foremen and gang leaders in the factory—about 100 all together. These notes seem to be highly valued, and the men have even borrowed money to invest in them.

"The average number of our employees is about 1,000 at the present time, and perhaps two-thirds participate in the

dividend sharing. All who have been with us six months or more come in, even though in a small way, but to participate to the full extent an employee must have been with us at least three years.

"The only changes have been those mentioned above, and the feeling of our employees, we think, was very excellent at first, but now is somewhat divided. This is perhaps due to the rapid rise in wage levels, which has unsettled the labor market generally and makes it less apparent that the dividend distribution is an addition over and above the usual earnings of the employee. The dividend sharing plan seems to have had a real influence in avoiding labor troubles, for the reason that the older employees receive a higher rating of distribution than do the beginners, and consequently do not wish to lose that advantage by going on a strike. This creates a restraining influence which undoubtedly has tended to avoid any agitation. We have had some dissatisfaction with the rates of wages paid, but believe this was unavoidable under the circumstances, but we have had no trouble with outside agitators.

"The new participating note was put into effect a year ago this December, and the 100 men who are eligible have invested about \$60,000."

#### CLIPPER BELT LACER COMPANY.

GRAND RAPIDS, MICH. 1912.

(1916) From the profits of the year the company pays those employees who have been with it one year or less 5% of the amount received as wages during the year. This percentage increases 1% for every added year of service until 10% is reached, where it remains indefinitely. These payments are made provided the profits for each year warrant it. There are about 50 employees.

The results of the scheme are stated by the company to have been a reduction of 9% in the cost of production, an increase in the earnings of the employees of 19% and "a closer bond of fellowship with their employees."

(1919) F. A. Stone, president, September 5:

"Profit sharing is a subject of a good deal of importance at the present time and of a good deal of interest to us. We



were among the first to adopt this plan in our city, among the manufacturers—in fact we were the first—and we have noted a good many things that have shown us that it was a step in the right direction. For example, a number of new bank accounts were opened shortly after the employees received their money. It has also held our force together so that we have had very few changes, and we think profit sharing has had something to do with it, although we have tried in numerous other ways to make it to the advantage of our employees to be loyal to us.”

It is further stated that the special distribution plan, as described in 1916, is still in force, and has undergone no modifications. From 80 to 100 employees participate.

#### COBBS & MITCHELL, INC.

MANUFACTURERS OF WOOD FLOORINGS. CADILLAC, N. Y. 1913.

(1916) Employees who have worked for the company for one year are given 3% of the year's wages; those employed two years, 6% of the previous year's wages; and those employed three years, 10% of the previous year's wages. Employees absent from duty must provide a substitute, or obtain a written excuse from the foreman and deposit same with the cashier.

The proposition is stated to be separate and distinct from wages. “The aim was to reach the employees in place of the heads of departments” and “to secure to us regular employment of our men.” The company considers that the scheme has already been a success. In 1914 \$6,758.59 was paid to 187 employees.

(1919) W. E. Curry, general manager, September 11:

“Our extra compensation or wage dividend plan is still in effect without any changes and we consider the results worth while. We believe it is generally regarded with favor by our employees and that it has had a distinct tendency to reduce labor turnover. It is our present intention to continue the plan indefinitely.”

## COLUMBIA TRUST COMPANY.

NEW YORK CITY. 1916.

(1916) The company has established a special fund, to consist of such moneys as the directors may appropriate from time to time. Five trustees are placed in full charge of this fund, a part of which is reserved for payment of pensions and death benefits, at the discretion of the trustees, and a part distributed as profit sharing. One-half of any amount in excess of \$10,000 appropriated to the fund in any year constitutes the profit sharing allotment, and the distribution is in proportion to salaries and length of service. Only employees who have been with the company one year or more are eligible, and after five years' service an additional allowance is paid, ranging from 10% on salaries to 40% to those employed 20 years or more, in part for distribution as profit sharing under specified rules and in part to provide a pension and benefit fund.

(1919) L. W. Wiggin, vice-president, September 5:

"This plan is still in force, and there have been no changes in it since December, 1915, when it was first put into effect. The average number of employees is 425 and practically every one participates in it."

The company issues a booklet describing its pension, death benefit and profit sharing plans.

## CONSUMERS' COMPANY.

COAL, ICE, BUILDING MATERIAL. CHICAGO.

(1919) For two years the company has given its employees of one year's service 5% of their year's wages or salary toward a first payment on stock. Since January 1, 1916, the company has carried employees' life insurance, the amounts being after one year's service one-quarter of wages; two years, one-half; three years, a year's wages, in no case to exceed \$2,000. Under its bonus plan out of 2,000 employees 1,000 participate.



## CRANE COMPANY.

CHICAGO, ILL. 1900.

(1916) Every year about Christmas time the company makes a cash distribution to employees, based upon their earnings during the year. This is not guaranteed, but the actual distribution for the past 13 or 14 years has been at the rate of 10% on wages, and in 1915 this involved a payment of about \$700,000 to approximately 10,000 employees. Every employee who has been in the service one month participates, except the officials and those who hold stock of the company. The distribution does not depend upon length of employment, amount of wages or efficiency of service.

The company many years ago started profit sharing among its employees by using a percentage of profits plan, copied after that originated by John Bright in England. Profits were not large and the payments being correspondingly small to the employees, there was lack of interest in the plan and no good results were accomplished.

Later Mr. Crane introduced a stock subscription plan, the employees being permitted to buy stock outright to an amount equal to their yearly salaries. The percentage of employees who participated was small, many preferred to put their savings into homes, and unfortunate distinctions and suspicion grew up between employees who owned stock and those who did not, especially in times of strikes. A number of years ago, when a disturbance arose, some of the employees who had stock were leaders of the strike and this so discouraged the company that the stock participation plan was abandoned.

Later the company introduced the plan now in existence and described in the first paragraph above, but even this plan is not without its unsatisfactory features, as many of the employees have grown to count upon it at Christmas and plan their expenses accordingly. Furthermore, the employees feel that the receipt of the bonus puts them under an obligation to the company, and they do not like to ask for an increase in wages, even when justly entitled to it. A recent and unintended development, discovered by one of the officials and discontinued, was the unfair practice, when taking on new

employees, of fixing the initial wage at such an amount that the added bonus would only equal the regular market wage.

(1919) J. B. Berryman, first vice-president, September 4:

“Our special distribution plan was followed in December, 1918, and will be in 1919 if the directors so decide. There has been no modification of the plan since its inception, about 17 years ago. The number of employees who participated in 1918 was approximately 13,500.

“We cannot say whether the plan has been the means of modifying labor troubles, but we had no trouble for 25 years until this summer when the shop men in Chicago went out without making any demands or notifying us of any cause for dissatisfaction, immediately after a vacation of one week with full pay. They were out between six and seven weeks, but are now back after an ineffectual attempt to force us to operate a closed shop controlled by the Federation of Labor, at a wage scale which would mean eventual ruin.

“In the opinion of the writer—speaking for himself only—there is nothing in any profit sharing when applied to workers by the day, hour or piece, as labor does not recognize lean years and is practically certain to strike should the profits of the business be insufficient to maintain the accustomed distribution.

“In all discussions on this subject from the viewpoint of labor we always hear about profits, never about losses.”

The company issued an address by R. T. Crane, “On Practical Profit Sharing.”

#### CRANE VALVE COMPANY.

BRIDGEPORT, CONN.

(1916) (Now owned by Crane Co. of Chicago, and the same system of distribution has been adopted.)

#### CROCKER, BURBANK & Co.

PAPER MANUFACTURERS. FITCHBURG, MASS. 1908.

(1916) Employees who have been with the company for two consecutive years are paid, on December 1 of each year, a 5% dividend on their wages earned during the 12



months ending on that date. Employees who have been with the company five consecutive years receive on July 1 an additional 5% on their yearly wages. There are between 900 and 1,000 employees, of whom 700 participated in the last dividend. The company states that it has found each year that the number of employees who have been in its service for two years or more is increasing, and that it therefore considers the plan a success.

EDW. C. CROSSETT.

NEW YORK.

(1919) Mr. Crossett writes, November 21:

"The various companies in which I am interested use profit sharing to a very small extent. About 15 years ago we tried such an arrangement in a limited way at one of our plants in connection with some of the heads of departments, and it did not prove very satisfactory.

"A part of the profits in the lumber business are derived from the appreciation of standing timber, and it always proved difficult to determine accurately to the satisfaction of all concerned how much of such appreciation had accrued in any one year. The lumber business is always affected by general business conditions in the country, although, as a rule, the effect is not felt until 12 or 18 months after the immediate cause. We found it frequently happened that those men who participated in the profit sharing arrangement felt a considerable disappointment when their share of the profits in the business were lessened by the poor year when, as explained above, such year usually came after general business conditions in the country had suffered a setback and frequently were again on the up grade.

"For these reasons we have discontinued all outright profit sharing arrangements and, instead, so far as possible, arrange to help the heads of departments and the more valuable men in our operations to purchase outright stock in the companies with which they are connected. We have also what we call our "loyalty fund" by which, at the end of each year, all employees receive a certain bonus based on their regular wage, the per cent determined by the number of years continuous service. We have found that this arrangement has been very satisfactory.

"We still use to a small extent a profit sharing arrangement in our western companies where we have separated the operation, having one company which owns all natural resources and other companies which do the operating. In this way we avoid any complication as to the appreciation of natural resources."

### DEMPSTER MILLS MANUFACTURING COMPANY.

BEATRICE, NEBRASKA.

(1919) C. P. Dempster, president, September 30:

"We have had a profit sharing plan with our employees for the past 15 years, which embodied a part of the principles outlined by Mr. Perkins. . . . We have, however, been paying these profit sharing dividends in cash in two semi-annual payments.

"This plan has not been the success which we expected it would be, and we think that the reason it has not been a greater success is for the reasons as stated by Mr. Perkins, that is, we believe that if these profit sharing dividends were invested in the business by the employees in some manner that we would get much better results, and we are arranging to change our plan accordingly.

"We have gone over Mr. Perkins' plan carefully and agree with him, with the exception of the length of time that should elapse before the employee is permitted to withdraw the profit sharing dividends. We believe that the employee should leave his dividends invested in securities of the company for a period of not less than ten years, unless he severs his connection with the company, and even then if he severs his connection with the company within three years he would not be permitted to draw any of these dividends. After three years he would draw one-half of the amount to his credit. At the end of ten years he could draw the whole amount, together with the amount that has accumulated thereto."

### DETROIT LUBRICATOR COMPANY.

DETROIT, MICH.

(1919) G. B. Duffield, factory manager, December 12:

"We operate our production work entirely on a straight



piece-work basis and have never contemplated a bonus or profit sharing plan. We did, however, institute at the beginning of the war an arbitrary fixed bonus in which only foremen and department heads participated. This was entirely a war expedient to compensate for the adjustment of the times, but the arrangement has been permitted to continue and possesses some credit. An arbitrary percentage based on each week's pay is presented in the form of a check at the end of the month.

"From the writer's observation, the most successful profit sharing plans are those which include the skeleton of a backbone of an organization and permit those employees to benefit in a material way in place of distributing the same amount over a greater area, as the average earner is not satisfied with a participation in earnings and responds more promptly to direct payment."

#### DIAMOND CHAIN AND MANUFACTURING COMPANY.

INDIANAPOLIS, IND.

(1919) Guy A. Wainwright, vice-president, November 10:

"We have no profit sharing plan as the term is commonly accepted, and do not contemplate installing one. We believe such a scheme is too indirect and too complicated to obtain results among employees—with the possible exception of important department heads.

"We have lately tried a method of estimating profits for the ensuing year, apportioning a certain amount to be distributed as direct wages and then applying this amount to our hourly rates. No attempt is made to explain this to employees, and the only evidence of it is the fact that we are paying relatively high wages, and that we are requiring, by individual records, that each person earn the wage that he is given.

"We have no labor troubles or tendency toward labor trouble, and the spirit of co-operation throughout the entire organization is most satisfactory. We maintain an absolutely open shop."

## THE DIAMOND MATCH COMPANY.

NEW YORK.

A labor dividend is paid to certain employees twice each year based on length and continuity of service.

Labor benefits by getting a share of the earnings of the company after capital has received a reasonable and fixed return on the investment. During the past few years this labor dividend has been paid semi-annually to employees who have have been in the service of the company for a period of six months or more and who, during the last six months, had not been absent from their duties more than fourteen days except with the approval of their superintendent or foreman or, in case of sickness, certified to by a competent doctor or accepted authority.

The amount of dividend received by each employee varies with the wage and the length and continuity of service. A worker who has been with the company twenty years, by the plan obtains twice the dividend of a worker who has been with the company one year, their wages during the last six months being the same. The plan in effect this year stipulates that capital is entitled, first, to eight per cent. of the total amount invested in the business; and that of the earnings over and above this amount one-quarter shall be set aside and paid to management and labor, every official and employee of the company, other than the President, profiting by the plan.

## DIAMOND STATE FIBRE COMPANY.

BRIDGEPORT, PA. 1915.

(1916) The company announced in December, 1915, that dividends to labor would be paid every three months if the results proved satisfactory, on the condition that "there will be no dividends when there are no profits." The distribution will be based on the wages earned by the employees during the previous 13 weeks, and the profits earned by the company during the same period. The first dividend, paid January 1, 1916, amounted to 6% on the employees' wages for the 13 weeks ending December 18.

(1919) J. A. Ranck, secretary and treasurer, November 12:



"We introduced a form of profit sharing in 1915 and discontinued it within the last six months, in so far as applied to the rank and file of our employees, but it is still in effect with the heads of departments.

"The average number of employees at this time is approximately 1,200. When we first adopted this plan the employees were heartily in favor of it, and for the first year there was little or no dissatisfaction, but as wages were constantly advanced the percentage of profit which was shared was somewhat reduced, and this seemed to cause quite a good deal of dissatisfaction. At any rate, the profit sharing plan did not modify in any way the tendency toward dissatisfaction in the ranks of our labor, so that it was really not a success in any measure, and, as before stated, we have abandoned it."

#### HENRY DOHERTY SILK COMPANY.

CLIFTON, N. J.

(1919) William H. Doherty, vice-president, November 10:

"We have never heard of any simple and practical plan of profit sharing that appears to us to be entirely satisfactory at all times and under all conditions. But when father died there was established the Henry Doherty benefit fund, which is very simple and workable and very satisfactory, and we think it has strengthened the good will of our employees. A pass-card is handed to each employee as soon as he or she begins to work for us, and the benefit starts immediately."

#### THE DOLD COMPANY.

PORK AND BEEF PACKERS. BUFFALO, N. Y. 1913.

(1916) Rewards for promptness, efficiency and courtesy, in the form of prizes, are distributed by the company annually through the medium of an employee's mutual benefit association. The distribution is in fixed amounts based upon the profits earned by the company. In addition, there is a cash bonus to such of the foremen as are considered to have earned it, upon the same grounds. It is reported that

the amount distributed to 15 of the 34 foremen at the end of 1915 was about \$2,000, while more than \$16,000 was divided among approximately 700 members of the employees' association.

(1919) Letters from the treasurer, the secretary and the general manager agree as to the continued success of the company's plan. The treasurer writes, November 11:

"Our profit sharing was first put into operation in 1912. So far as we have been able to ascertain, we were the first packers in the country to adopt profit sharing. All employees who have been in our employ for one year or more are entitled to participate. The average number of our employees is about 1,800.

"There is an annual distribution of bonus to all employees in the plant and office, and a larger bonus given to department foremen. After all plant, clerical and department foremen have received their bonus, there is a 10% division of the balance of the net profits made to the junior and executive councils and the managing committee.

"In addition to the annual bonus system outlined above, in July of this year we distributed a 'special peace bonus' of a substantial amount of our net profits shown at that time, distributed on the same lines as above outlined, all of which is based on salary and wages earned.

"The feeling toward the plan on the part of our employees, so far as we are advised, is good. We have had no labor troubles since the inauguration of this system.

"In addition to the bonus system above outlined, we have gone extensively into welfare work; into the organization of our employees, into group insurance and other features which by co-ordination and co-operation tend to unify and congeal our employees into one great mass."

The secretary of the company writes:

"It is with pleasure we can state since the inauguration of our mutual protective association and the profit sharing proposition there has been no kind of trouble that caused us any annoyance or any distress. We pride ourselves upon the loyalty of our house, and the only union that is in effect is their own union in the house.

"In the matter of insurance, which is quite an item, the company contributes a large share of the premium, the association paying about one-sixth."



A booklet describes the company's plans.

### THE EDDYSTONE MANUFACTURING COMPANY.

PRINTS AND ART DRAPERIES. PHILADELPHIA, PA.

(1919) W. P. Simpson, president, November 12:

"The plan under which we are now working is for the board of directors to set aside from the earnings at the end of our company's fiscal year such sum as in their opinion is warranted, to be distributed by classes, down to and including foremen. This practice has not been extended to the rank and file. This method we have thus far found to be the best in our particular organization and has proven successful. We realize that profit sharing in some form is a coming and desirable factor in business, but has to be protected against the evil sides of human nature. When this has been safeguarded against and a plan developed to suit the local conditions and installed gradually so as to fit in and fairly protect all interests, in that case profit sharing will be a success."

### FELS & Co.

MANUFACTURERS OF SOAP. PHILADELPHIA, PA. 1901.

(1916) A percentage of wages, based on length of service, is given at the end of each year. There is one rate for those employed less than three years and a higher rate for those employed more than three years. All regular employees are included. The company considers that the plan "is a success in many respects, but has some features not satisfactory. We have reason to believe that most make very good use of the portion received, but some do not. . . . As in most profit sharing schemes there is an element of arbitrariness which must be got over before profit sharing can be said to be unqualifiedly a success."

(1919) From a member of the firm:

"The date of the installation of our plan was 1901, and it has continued in force ever since with modifications from time to time. With the exception of a bonus to all employees in addition to wages, which war conditions made desirable, the number of persons participating in the sharing of profits at the time of distribution was 416 out of a total number of 733.

"The feeling toward the plan among those benefited has always been favorable, but the distribution has developed a feeling among many that it is a part of wages. We do not know definitely what effect it has had toward eliminating or modifying the tendency toward labor troubles. We have not had much of that kind of thing. Of course, during the difficulties of the war and since it has probably had a steadying influence.

"The plan includes all employees except heads of departments. It is a success so far as it goes, but our former objection still exists and such a plan does not help much towards a real solution of the labor question. There should be something more fundamental."

#### FERRACUTE MACHINE COMPANY.

BRIDGETON, N. J. 1915.

(1916) On account of prosperous business, the company in 1915 paid bonuses on wages earned by employees amounting to 5% for the first six months of the year, 7% for the next three months, and 10% for the last three months. For the first quarter of 1916 it is expected that the payment will be 10%, but whether it will be continued thereafter the company is not in a position to state. There are about 200 employees, all of whom participate. The company considers the plan satisfactory and states that "we prefer this arrangement rather than suddenly advancing the wages because it is naturally easy to advance the wages but it is very hard to lower them."

(1919) E. Paullin, secretary, October 16:

"For the last two years we have been paying a special bonus or premium—it is what we term a "service bonus"—of 25% of the wages quarterly where the person has been in our employ for a year or more, and for less than one year 20%, with the understanding that the employee remains in our employ until the end of the quarter and that he is not absent except for sickness or some satisfactory cause, beyond a maximum time that we agree upon. We have found this arrangement quite satisfactory."



## FROST GEAR AND FORGE COMPANY.

JACKSON, MICH.

(1916) After setting aside 10% for stockholders, a portion of the excess profits is divided among certain employees in proportion to salaries, but participation is limited to foremen and those above them, including officers of the company. The company states that: "The workmen in the shop do not participate, but get their extra incentive from the ordinary piecework which we employ in the forge department, or premium which we use in the gear department." (Not true profit sharing, under standard definition.)

The share of profits received by officers and foremen is not paid in cash, but stock representing the share of each is held in the treasury for three years, when it is issued to the individual whether he is then in the employ of the company or not. Dividends on this stock are paid in the meantime.

The company states that its object was to tie to it the men who have been faithful and who have taken a lively interest in the welfare of the business. As profits increase the percentage set aside for employees becomes greater, it being the company's expectation that this "would spur the employees to a very extra effort," and, further, that although the plan is not entirely satisfactory the company is not able to devise one that will meet the requirements any better.

(1919) E. J. Frost, president, October 28:

"We have not made any change in our method of paying bonus."

## GARDNER NEWS COMPANY.

GARDNER, MASS. 1916.

(1916) On February 1 the company issued a letter to its employees, eleven in number, not including officials, to the effect that it did not feel justified in increasing their wages, believing the existing scale equal to that found in similar offices, and that under less prosperous conditions it might prove necessary to withdraw such increase if made. Instead, there would be paid on the first day of February and of August, to employees who had been with the company for more than one year, a certain percentage of the gross business trans-

acted during the preceding six months, in each case, in proportion to the wages of each individual.

(1919) S. W. Rogers, manager, September 4:

"The company's special distribution plan, described in 1916, is still in force. The high cost of living has brought a demand for more frequent payment of bonus, which in some cases has been made in weekly payments on our own judgment. Our single employees like the original plan very much and are contented. It has been found that the profit sharing plan has been the means of modifying the tendency toward labor troubles. This plan affects all employees with the exception of the manager."

#### GARNER PRINT WORKS AND BLEACHERY.

GARNERVILLE, N. Y. 1916.

(1916) On the first of January about 500 employees of the company were awarded a bonus of 10% on wages, in proportion to efficiency. The rank and file as well as heads of departments are eligible. It is stated that the bonus will be figured on weekly earnings but paid at the end of each month, and that the payments at present amount to about \$800 per week on a pay roll of approximately \$8,000.

(1919) H. A. Hatch, treasurer, October 1:

"We introduced an entirely new system—profit sharing—about a year ago. Perhaps this would be better described now as a partnership system as we have this year amended it so as to give an equal share in management to labor. The plan includes every one in the employ of the company. This number averages 1,500. To the best of my knowledge the plan is successful. We have had no labor troubles and have at all times had an ample supply of labor. At present we have a considerable waiting list."

The resolution of the board of directors dated July 17, 1919, authorizing the new joint committee which is to be known as the board of management is as follows:

"Resolved, that a committee be and hereby is appointed, to consist of six members, three of whom shall be the treasurer of the company, the local agent, and the New York agent, and the other three shall be elected by the board of operatives of the Dutchess branch from their number; that said committee of six be and hereby is authorized to settle



and adjust such matters of mill management as may arise, and shall meet upon the call of any two of its members. In case a majority of the said committee should fail to agree upon any matter brought before it for determination, the said committee shall thereupon appoint a seventh member, and the decision of the majority of the committee so constituted shall be final."

In May a distribution of profits was made among employees for the last six months of 1918, and in August 4% on wages for the first six months of 1919. Printed matter, describing its "democratic control," is published by the company.

#### GENERAL CHEMICAL COMPANY.

NEW YORK. 1915.

(1916) This plan has been changed from time to time. The one in operation in December, 1915, is described by the company as follows:

"This year the distribution of the profit sharing fund goes not only to the managers, heads of departments and superintendents, but also to every other employee of the company. For the managers a more or less arbitrary amount was set aside, but the men were paid on the basis of 10% of wages received to all who have been with the company for a year or longer and 5% to those who have been with the company less than one year. This bonus was paid in cash. In the case of the wage-earners in many instances, we distributed pass-books on local savings banks after arranging with the banks to keep open two or three evenings in order to permit the men to take as much or little of the bonus away in cash as they themselves desired, it not being our intention in any way to control the money after it once passed into their hands. It is of interest to note that in many cases we have reports that a large percentage of the men in the reporting factories have left their entire bonus in the local savings banks. We regard the distribution as only an evidence of our desire to establish a real spirit of co-operation between the stockholders and the workers."

(1919) Robert K. Painter, assistant general manager, September 11:

"No change in our special distribution plan since 1916."

## GENERAL ELECTRIC COMPANY.

SCHENECTADY, N. Y. 1916.

(1916) The company has announced under date of March 18 that a sum has been set aside sufficient to permit the payment, to all employees (other than directors and general officers), who have been in its service continuously for five years or more, of a supplementary compensation equivalent to 5% of their individual earnings for the six months ended respectively June 30 and December 31, 1916. It has been estimated that these distributions will amount in the aggregate to between \$3,000,000 and \$5,000,000. There are about 50,000 employees in all the plants of the company, of whom a very large proportion have been in the service at least five years and are therefore eligible to participate.

The company also has in operation, at its Schenectady plant, an investment club through which employees may invest their savings in stock of the company upon payment of \$5 per month. This requires a saving of \$60 per year for a period of about three years, to complete the purchase of one share. Early in 1915, shortly after the organization of this club, it had attained a membership of 800 subscribers.

(1919) M. F. Westover, secretary, September 4:

"The plan for semi-annual payment of what is called 'supplementary compensation' is still in effect. The payment for the six months ended on June 30, 1919, was made to 22,351, the total number of employees at that time being about 67,000.

"There has been no change in the plan since it was adopted and, while it cannot be affirmed that there has been any definite effect in preventing labor troubles, the payment is very acceptable to the employees, and it is safe to assume that it has reduced the labor turnover. The payment is made to all employees except executive officers of the company."

NELA PARK, CLEVELAND, OHIO.

(1916) The investment plan of the National Lamp Works of Cleveland presents an illustration of the great risk an employer takes when he assumes the responsibility of aiding his employees to make investments. In 1911, the executive heads had devised, by a leading securities company, a plan under



which there were organized two investment companies to receive the deposits of the employees of the different lamp works. They were termed the "Nela Alpha Investing Company" and the "Nela Alpha Anticipation Company." Heads of departments and office employees in all the plants were allowed to deposit a certain percentage of their monthly salaries. The intention was to include the rank and file by means of a stamp system but this was not carried out.

The sincerity of purpose in this undertaking is indicated by the following extract from a letter written by F. S. Terry, leading official of the Lamp Works, May 9, 1912:

"Our opinion is that we shall benefit our employees as much by inducing them to save their money as by any form of profit sharing distribution, and we are doing all we can to acquaint them with the character of different classes of investments so that their savings will neither be invested in government bonds nor in savings banks, both of which yield small returns nor, on the other hand, will they be invested in highly speculative enterprises where the risks are liable to be too great."

Certificates of participation in the Investing Company were issued to savers whose deposits had reached \$100. After having paid in given amounts (decided upon by the organizers), the savers received common stock certificates which participated in the surplus earnings over and above 6% on the preferred stock.

Through the Anticipation Company, funds similarly received were invested in speculative stocks and new offerings, such as the common and preferred stocks of leading public utilities. The promoters of the plan reserved the privilege of transferring or assigning all their rights thereunder, at any time, and expressly stipulated in the subscription agreement that no fiduciary relation of any kind was assumed nor any obligation to undertake or carry out the plan.

For several years past, the stock of the Investing and Anticipation Companies—that purchased by the employees—has had no market value except that made by the holders (men and women) as they have sold to one another, for the reason that some of the securities held by those two companies had a severe shock. Three years ago, for example, the stocks of one of the public utilities, in which part of the funds of the

foregoing companies had been invested, sold as high as \$144 but since that time has been as low as \$40 per share. Quite recently that particular stock has almost regained its original market value.\* However, the anxiety of the officials of the Lamp Works (who went so far as to try to protect the employees' funds with their own money and to have a broker popularize trading in the preferred stocks), as well as the disturbed mental state of the depositors, who could not at any time realize on their investments except at a great loss, indicate the unfortunate situation which may arise from such recommendation of industrial investments where the employees are not guaranteed against depreciation in the market value of the securities. In this instance, a committee, consisting of the chief officials and others, was appointed to superintend the investing of the employees' funds; but the experience shows what blunders may be made by big business men, even with the best intentions. Also, there has been created a tendency on the part of the employees to take an interest in the stock market not regarded as wholesome.

(1920) The latest developments in connection with this effort, furnished by A. V. Simis, are given below:

#### NELA ALPHA INVESTING COMPANY.

"There are approximately 400 stockholders of this company and, with a few exceptions, all of the stockholders are employees of the company. Most of the common stock is held by the managers of the National Lamp Works and the managers of the various departments.

"There is little or no trading in the common stock, which is held by those who are in sympathy with the policy of maintaining a large surplus for the protection of the preferred stock. Only the preferred stock is traded in by the employees, and at a fixed price per share—there being no effort or inducement to interest the employees in the common stock of the company—and a market is always afforded for those who wish to buy or sell at this price. The preferred stock has a par value of \$10.00 per share, and the stock is bought and sold at the fixed price of \$8.50 per share. This stock pays 6% per annum which, at the above price, nets the holder

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\*Later it went beyond the high point quoted.



about 7%. The policy of maintaining the market at this price has resulted in taking the preferred stock out of the speculative class entirely and employees have learned to regard the stock as the means of obtaining a return of 7%, together with the privilege of securing the return of amount invested upon request. The result has been that during the years an increasing amount of this stock has been distributed among the employees with little or no sales effort on the part of the company.

"In addition to the privilege of purchasing the preferred stock, the employee is free to purchase the 4% notes of this company, which are honored at any time with interest at 4% for the period held, or which can be converted into the preferred stock at any time desired by the employee.

"During the year 1919 there was sold to employees preferred stock to the amount of \$89,170 par value, and there was purchased from employees preferred stock to the amount of \$64,350 par value. During the same period there was sold to employees 4% certificates of indebtedness to the amount of \$57,400, and retired, \$52,580. Of the notes retired, \$5,000 was used by employees in the purchase of preferred stock.

"The common stock has been maintained on a 6% dividend basis, and the balance of earnings has gone into surplus, with the result that at the present time the surplus is about equal to the preferred stock issued and outstanding and, as above stated, it is the policy to maintain at all times a substantial surplus for the protection of the preferred stock.

"It has been our experience that this plan of saving and investment is looked upon favorably by the employees as it gives them a larger return than they can get in the savings banks, together with safety and a ready market when they desire to dispose of their securities.

#### NELA ALPHA ANTICIPATION COMPANY.

"This company, when originally organized, was not offered as a savings or investment proposition. No effort was made to interest the employees generally and the stockholders are those who desired something of a speculative nature under what was considered to be favorable circum-

stances. This company was organized in 1911, and the three classes of stock, to wit: first preferred, second preferred and common stock, have been on a cash dividend basis of 6% for several years, and the company has built up a surplus which, at the present time, has a ratio to the first preferred stock of more than 4 to 1. It will thus be seen that the company has operated successfully. The only criticism which has been directed toward this company has been that, by reason of its small capitalization, there has been no ready market for its securities with the result that some of the stockholders, desiring to dispose of their holdings, have difficulty at times in finding buyers. However, plans are now under consideration for establishing a market which will overcome this objection."

### THE GENERAL FIREPROOFING COMPANY.

YOUNGSTOWN, OHIO.

(1919) Since December 16, 1916, the company has been paying a bonus of 4% on regularity of attendance during a pay term and another of 12% for regularity during a period of six months. In case of death the latter bonus is paid to the heirs.

### THE GLOBE TOBACCO COMPANY.

DETROIT, MICH. 1886.

(1916) Peculiar arrangement by which company handed over to labor union 1% of gross receipts, to be paid to employees pro rata. Necessitated because state laws prevented the plan of co-operation desired by the company. The latter enthusiastic at the time of publication by N. P. Gilman (1889).

### THE B. F. GOODRICH COMPANY.

AKRON, OHIO.

(1919) H. Hough, comptroller, November 13:

"We have had in force for some time throughout our shops what is known as a pool system of paying wages, which insures a minimum wage and a bonus for production in excess of certain stipulated amounts. As regards office em-



ployees, we last year paid 'additional compensation' of 25% on the total amount of salary drawn throughout the year, and a similar declaration will be made on December 1 next on salaries for 1919.

"This company is now seriously considering some general plan of allowing all employees to participate regularly in the profits of the company, but we have not as yet reached any definite conclusions as to the method which will be employed."

### THE GREAT WESTERN SUGAR COMPANY.

DENVER, COLO.

(1919) R. K. Marsh, vice-president, November 14:

"This company's business is that of making sugar from beets. For a number of years we attempted to formulate a plan whereby we could offer to each of the men in our employ a share of profits, based on some standard, over and above the standard, where such additional profits could be definitely associated with increased efforts and efficiency of each man. Due to the nature of our business we were unable to formulate a plan along this line satisfactory to us. We therefore then began work along a line where we would set a standard for each of our plants, considering each plant a unit rather than each man. If the whole plant exceeded this standard a certain share of the profits would be paid to the employees of that plant and be pro-rated equally among them. This plan we put into effect for the first time at the beginning of our present beet slicing campaign, which was only about a month ago. It is, therefore, too soon to judge the results."

### GURNEY BALL BEARING COMPANY.

JAMESTOWN, N. Y.

(1919) Henry K. Smith, president, November 29:

"Our plan is not profit sharing, pure and simple, but rather a bonus distribution based upon the prosperity of the business. The directors set aside a certain amount at the end of the year to be divided among employees of one year's or more continuous service upon a certain basis of distribution. Last year's distribution was: One year's continuous

service, 4%; two years', 1% additional; three years', 1% additional; fifty weeks full time attendance, 1% additional. Foremen and salaried employees, 7½% straight.

"We do not believe that profit sharing has much—if any—beneficial effect. The same amount of money paid in weekly wages would be far more satisfactory to the average man. Labor generally is so transient, and the attitude of the average employee is that something deferred for twelve months might as well happen in another planet, so far as immediate effect on him is concerned.

"We consider our method of distribution as an absolute measure of justice. The men who stay more than twelve months are the ones who are responsible for making a profit. Without them, as the framework of the organization, the business probably could not operate at all. If two men of equal value were to come to us on the first day of January, one stating that he would work the whole year and the other that he would only work four, six or eight months, we would gladly pay the steady man a larger amount of wages. We can only determine who is the steady man at the end of the year and try and give him the extra compensation which he has earned in this way.

"During the general strike in this city, this plan and one other, which have profit sharing or bonus distribution in effect, were the only ones which were not affected. In my opinion, however, the profit sharing system was not responsible for this condition but might have had some slight bearing upon it.

"Our system has been in force since January 1, 1916. The number of employees who have benefited under it has never been 50% of the total, but this is due to the fact that this business is growing very rapidly and has a large number of new employees who have not been with us a year."

HAGER & BRO.

DEPARTMENT STORE, LANCASTER, PA.

(1919) From the manager, November 10:

"Our department heads are given an interest in the net profits of their particular departments. We have given our employees group life insurance, which starts after the first year's employment; \$500 minimum, \$2,000 maximum."



## HAINES, JONES &amp; CADBURY COMPANY.

MAKERS OF PLUMBING SUPPLIES. PHILADELPHIA, PA. 1886.

(1916) An officer of the company states:

"About thirty years ago we adopted a plan of distributing money among our employees based on our profit and based on their wages or salaries. When we had good years this, of course, was satisfactory to our employees, but when the poor times came they were dissatisfied and after trying it for about five years, we discontinued that plan.

"For about twenty years, we had a plan of making a cash disbursement to certain of our employees that we thought were entitled to it. This was not based on their wages but was an arbitrary matter passed upon by the president of our company.

"For the past few years, we have set aside from our earnings 5% on the capital invested in our business, charged off for bad debts, depreciations, etc., and then took 25% of the balance and put it into a fund for distribution among our employees. The employees were divided into two classes, one class getting about 90% of this fund and the other class about 10%.

"We employ from 350 to 500 people. This cash disbursement is made mostly to department heads and some of the rank and file and includes about fifty.

"Our branch stores are operated on rather a different plan—the manager getting a certain percentage of the profits and then if we make over a certain amount we distribute 21½% among the employees of the branch—taking in mostly the heads of departments and not paying very much attention to the rank and file.

"Our salesmen operate on a profit sharing contract but it is most too complicated to undertake to explain. The arrangement which we have made with our salesmen has been quite satisfactory and the last plan which we have adopted for distribution of cash bonuses has been more satisfactory than any that we have previously adopted, but it is not entirely so because a great many of our employees do not thoroughly understand the difficulties of conducting a large business and that the profits vary greatly in different years depending upon conditions oftentimes which are entirely beyond the control

of the management. Our people are beginning to understand it, however, better and better every year and we believe that we have made some progress and that the arrangement has been a beneficial one to our interests."

(1919) J. H. Boston, president and general manager, December 24:

"In the early part of this year we arranged to discontinue one or two of our profit sharing plans on account of reorganization in our business. We have in effect a plan which shares profits with our branch managers. This is based on the net earnings. We also have an arrangement with our salesmen similar to that which we had before.

"We have never felt that the plans which we had adopted were entirely satisfactory. We are inclined to believe that no plan which is based on the net earnings from year to year can be made satisfactory when it is applied to all of the employees, as a great many of them do not understand the fluctuations in market conditions and they are dissatisfied if one year they get a large bonus and the next year a small one. We have found, however, that our managers understand the situation and arrangements of that kind can be worked to good advantage with them."

#### HAWTHORNE FURNITURE SHOPS.

MANUFACTURERS, LOS ANGELES, CAL.

(1919) W. E. Ross, manager, November 17:

"A profit sharing system that we installed on March 1 this year is still in force, and we consider that it is working fully to our expectations. We now have about 275 employees, and all participate, including factory, office and selling forces. Our employees seem to believe in the plan and are very much pleased with it, and we feel that the effect has been to heighten the morale of our working forces to a degree that would not have been possible in any other way."

#### HENDRICK MANUFACTURING COMPANY.

CARBONDALE, PA. 1916.

(1916) Each man and boy, numbering approximately 250, who has been in the employment of the corporation a



year or over, received on February 22, 1916, a bonus of 5% out of the profits which the company made during 1915. These employees do not include the office force.

Many of the men employed by the company have held down their jobs from boyhood almost to old age. The men employed in the various departments are all experts in their several lines, even among the laborers.

Not a man who is the beneficiary of it had the slightest idea until he opened his pay envelope that he was to receive a substantial bonus with his wages. Not a single order was accepted by the company last year for war material.

(1919) W. T. Colville, vice-president and treasurer, September 9:

"Our plan as described in 1916 remains substantially in force in principle, though somewhat broadened in scope and graduated in percentages paid in accordance with length of service.

"We are paying this year to all employees, including office force and heads of departments, from 3% to 10%, depending upon the length of continuous service. Payments are made in quarterly instalments, during the current year, on the first day of April, July, and October, and on December 31 to such employees only as are still in the employ of this company on these respective dates. Basis on which the percentages are computed is the total amount of wages received in 1918 exclusive of any bonus paid in 1918.

"Too many factors enter into labor conditions to warrant us in saying that our comparative freedom from labor troubles is due to our plan of distribution of profits. The most we can say is that such distribution is possibly one of the factors. Whether it has resulted in longer continuous service is also uncertain."

#### HERCULES POWDER COMPANY.

WILMINGTON, DEL. 1913.

(1916) The employees were divided into five classes, according to length of service from one to fifteen years, and announcement was made that wages of the employees in the several classes would be increased from 2 to 20% respectively. While termed a "wage increase," however, the com-

pany also refers to it as a "bonus," of a purely voluntary character, and "reserves the right to withhold it for justifiable reasons, either permanently or temporarily, from any individual or all employees." It was the intention of the company to continue the plan indefinitely, "providing we secure the co-operation of our pay roll employees in the faithful performance of their duties and adherence to the company's rules and our men make it evident that they desire to benefit by the increases provided through continuous or uninterrupted service."

(1919) C. F. Eastman, assistant treasurer, September 4:

"We have a plan enabling employees to purchase the company's stock on easy payments, the stock carrying a certain distribution contingent on faithful service, in addition to the regular dividend. This plan was suspended for 1918 and 1919 due to abnormal war conditions, and the desire to have our employees subscribe as largely as possible to government offerings of liberty bonds. We also have a stock bonus plan for awarding employees whose services have shown special merit. This plan was also temporarily suspended due to abnormal war conditions."

The company distributes plan booklets.

### HIBBARD, SPENCER, BARTLETT & Co.

HARDWARE. CHICAGO, ILL.

(1916) At the end of each year, from the profits of the business, employees receive a certain percentage of their salaries, varying according to length of service. In 1914 the percentage was: one year's service 2%, two years 4%, three years 6%, and four years or over 8%.

The total payment varies according to the profits of the year.

The unique feature of the plan is that only one-half of the amount given to the employees is directly paid to them, the other half being deposited to their credit in savings banks designated by them.

(1919) C. J. Whipple, general manager, September 8:

"We have made no decided change in our profit sharing plan since 1916 except that last year we included employees



who had been with us six months, paying them a smaller percentage than those in our employ for a year or more. From our force of around 1,100, approximately 800 shared in this distribution of profits.

"We have always found it very difficult to say whether or not our profit sharing plan has had anything to do with lessening our labor problems. We feel confident, however, that it has enabled us to keep a number of our old employees, as over 40% of our force have been on our payroll for more than four years. We do not feel that it has had much effect one way or another on the newer people."

### HOME FURNITURE COMPANY.

MANUFACTURERS OF FURNITURE. YORK, PA. 1914.

(1916) A cash distribution is made at the end of the year, based upon the wages earned by the employees during that period. All employees in the service of the company at the end of the year participate, and about 100 are affected. It is reported that the total distribution in January, 1916, amounted to about \$2,000.

(1919) J. L. Gerber, president, writes, December 23, that the company's plan is about the same as in 1916. The chief difference is that the cash distribution is made at semi-annual intervals, and not annually as at first. The average number of employees is 132, all of whom participate in the plan, which is regarded as an unqualified success. The feeling of the employees is favorable, and there have been no labor troubles.

### HOTEL VENDOME.

MINNEAPOLIS, MINN. 1912.

(1916) All wages paid to employees during the year are charged to a so-called wages account. At the end of the year, 36% of the total wages account and 36% of the net profits of the business for the year are credited to the wages account.

A share of the profits is paid to the employees at the same rate on wages as the percentage of excess credits to wages account over charges to wages account. If the credits to

wages account are less than the charges, no profits are shared. The ratio of wages and profits was fixed in 1912 "thus promising a bonus in case the profits could be increased without increasing the wages." If the wages of any employee are automatically increased by reason of any state or national law, that employee's share in the profits is computed on the basis of his previous salary and the amount of the wage increase deducted from his share in the profits.

(1919) A representative of the house writes:

"The operation of the women's and minors' minimum wage law in Minnesota has disjointed our plan. We paid our profit sharing dividends out of extra profits over 1912 (the basis of our 36% specified on the plan). The increase of wages and other costs has practically eliminated the extra profit over 36%."

It is further stated that of the seventy employees of the company about one-half participate in the profit sharing plan. Their feeling toward it is rather indifferent. The tendency toward labor troubles has not been modified appreciably.

### INLAND STEEL COMPANY.

CHICAGO, ILLINOIS.

(1919) The company's employees' savings and profit sharing pension fund was put into effect April 1, 1919, and G. H. Jones, first vice-president, expects that at least one-half of the employees will participate. The company contributes to the fund annually a sum equal to 5% of its net earnings. An employee, in order to participate, deposits in the fund 5% of his salary up to \$300. The fund is handled, intrusted and invested under the direction of a board of five trustees. The number of employees of the company runs between 5,000 and 6,000. (Pamphlet.)



## INTERNATIONAL HARVESTER COMPANY.

(See Stock Ownership.)

## INTERNATIONAL MOTOR COMPANY.

ALLENTOWN, PA. 1915.

(1916) An announcement by the company was reported in August, that a "war bonus" aggregating 20% of the total monthly earnings would be paid to its employees on the first of each month.

It was stated that the bonus was in recognition of exceptional business created by the war, and that the object was to retain good employees and build up a strong and permanent organization.

This distribution is typical of special and probably temporary bonuses paid by many large corporations engaged in fulfilling war contracts, on the theory of sharing with the employees some of the extraordinary profits.

## JOBBER'S OVERALL COMPANY.

OVERALLS AND COATS. LYNCHBURG, VA.

(1919) A. C. Barrow, president and treasurer, November 12:

"Under our profit sharing plan we do not distribute any money among our employees until the last of the year; therefore it is too early to tell you what our results will be for this year. We have changed our plan somewhat, and during the past year gave our employees life insurance policies and weekly sick benefits, but still expect to distribute a part of our earnings among our employees on a payroll basis. For instance, the employee whose pay has been highest during the year will receive a larger percentage of the profits, owing to the fact that this employee has produced more work, and our profit on her production being greater she is therefore entitled to a higher rate."

## KING MOTOR CAR COMPANY.

DETROIT, MICH.

(1916) A certain sum of money is set aside at the close of each year to make a bonus payment to employees. This

sum has been approximately  $7\frac{1}{2}\%$  of the net earnings. Each employee receives about 10% of the amount of his yearly wages.

### KOHLER COMPANY.

KOHLER, WIS. 1916.

(1916) Each employee will be given a maximum bonus of 10% of his total monthly wage or salary for a perfect attendance.

(1919) Herbert Kohler, employment department, September 12:

"At present we maintain an average of 1,000 men in our organization.

"Attendance bonus, in effect March 1, 1916: Each employee working every regular designated working day was paid a special attendance bonus of 10% on his total monthly wage or salary on the 25th of the month following. This applied to all employed in the plant and general office, including departmental heads, but excluding executives. . . .

"Broad modifications were put into effect February 1, 1917. The bonus applied only to time actually worked on full attendance. It did not apply on compensation paid under the workmen's compensation law, by benefit association, for pensions, insurance or other special bonuses.

"A 100% attendance was necessary to be assured of the bonus. Excuses, however, were accepted for cause. . . .

"This plan was continued until April 30, 1919, when it was withdrawn and the 10% provided by it was applied to the wage scale. This bonus had stimulated a somewhat better attendance. The steady men received it regularly, but it did not reach the men not regular in attendance.

"War service bonus, effective July 1, 1919: A special bonus was paid on July 1, 1919, on the wages earned in 1918, to all employees who had been continuously employed up to July 1, 1919. This bonus amounted to something over 10% of the 1918 wages. A special bonus, paid to those on the honor roll, amounted to over 10% of the wages they would have earned in 1918.

"Our conclusions on special distributions are that they are not a panacea for all ills. They are effective, however,



when given for a specific purpose, and when they actually are in excess of the regular wage. We have found that our turnover is a comparatively small percentage of the total number of men employed. We have other plans of special distribution in contemplation, which we are not prepared to make public at this time."

### THE KORSMEYER COMPANY.

ELECTRICAL SUPPLIES. LINCOLN, NEB.

(1919) L. W. Korsmeyer, vice-president, December 11: "Our plan (introduced June, 1917), includes all employees except officials and salesmen on commission basis. We do not consider our plan a success for the reason that we can see that it has no effect on our employees, although we will admit that we ourselves are largely to blame in this matter for the reason that we have not made all our employees as thoroughly acquainted with the plan as we should, and we will see that this is remedied at once, but even aside from this, we very much doubt if it will ever have any effect. The first year that we put it into operation we had all of our employees. Our plan contemplated the employee taking his bonus in stock of the company, but he was given the choice of taking cash instead at a discount of 20%. We found that every employee took his bonus in cash. For that reason alone we considered the plan a failure. It did not bind the company and the employee together, and the bonus received was considered merely as a part of the wage."

### LARKIN COMPANY.

SOAPMAKERS, CHEMISTS, ETC. BUFFALO, N. Y.

(1916) The clerks in the sales department receive a bonus each month equal to one-tenth of their aggregate monthly pay roll. The amount of bonus to each clerk depends upon salary and considerations of individual merit, such as helpfulness, loyalty, application, deportment and attendance. Questions of merit are decided by bonus committees composed of five members, elected by the clerks in each section. These committees award "bonus points," up to ten, at the end of each month.

Another form of extra distribution by this company is the payment of a rate of interest higher than normal on a savings fund, in which there are deposits of \$200,000 by 1,200 employees. The rate paid is 5%. There are about 200 employed in the sales department, who participate in the plan.

(1919) W. R. Heath, vice-president, December 30, sends the following, as published July 31:

The company will be re-capitalized at \$30,000,000 and stock will be offered to all employees whose service and positions make them eligible.

(a) The present stockholders of the Larkin Company may hold both preferred stocks and common stock.

(b) Any employee of the company, or of Larkin Company of Illinois, or of Larkin Company of Pennsylvania, not a stockholder, who on January 1, 1919, had completed three full years of employment was then at least twenty-one years of age, and a citizen of the United States, shall be known as a charter employee stockholder, and shall receive common stock as provided hereinafter, and

(c) Any charter employee stockholder who has been designated as eligible and any other employee of like qualifications who has been designated as eligible may hold common stock received as distributed profits or by purchase.

It is proposed to organize a corporation under the laws of the state of New York with \$20,000,000 of first preferred stock and \$30,000,000 of second preferred and common stock. The first preferred stock shall have a par value of \$100 per share, and shall pay a dividend of 3% in 1919, of 5% in 1920, of 6% in 1921, and of 7% in 1922, and each year thereafter. This stock shall be preferred as to assets, and cumulative as to dividends, but shall not further participate in the profits of the company.

### LAWRENCEBURG ROLLER MILLS COMPANY.

#### LAWRENCEBURG, IND.

(1919) S. H. Lewis, vice-president and manager, November 12:

"We instituted among our employees three years ago a system of bonuses which consists of our giving to each employee who is on our payroll December 31 each year a sum equal to 10% on the money earned during the year. In other words, we add 10% to the salary and wages paid during the



year to each employee, giving it in the form of a check for the entire amount. We believe that this is thoroughly appreciated by our employees, and we are pleased to say that we have never had any trouble in our plant or with any of our employees. The average number of our employees runs about 110, and they all participate in this bonus plan, but none of the officers do. While we have made no special inquiry as to whether this plan is acceptable or not, we believe it is.

“In addition we carry insurance on the life of all our employees for \$1,000 each, we paying the premium, and we know that this is also very much appreciated. We regard both of these plans as being an unqualified success. We believe, however, that any plan of this sort would fail if it were not accompanied by a sincere desire on the part of ourselves to make our employees feel comfortable and, as far as we can, to take a personal interest in their welfare. We realize, of course, that that plan could not work out very well where a much larger number of employees was considered, but even in the largest kind of a plant the heads of departments should be in a position to keep pretty closely in touch with the employees in their charge. Men or women who are selected for those positions should be chosen with the idea that they know something about the human touch.

“The writer has never had any difficulty in feeling close to our own employees for the reason that he has been one of them and therefore knows pretty well the attitude of employees toward those whom they are working with, and the idea of ‘working with’ should be exemplified rather than ‘working for.’

“Business to-day is becoming largely co-operative and there is a thorough understanding, or should be, among manufacturers and those employed for labor. Unless there is co-operation and a good feeling existing, the business itself cannot be as successful as it should. At least, that is our view of it.”

## LILLY CARRIAGE COMPANY.

MANUFACTURERS OF CARRIAGES, HARNESS AND AUTOMOBILES.  
MEMPHIS, TENN.

(1916) A certain portion of the net profits over 6% is divided among the men who have been in the company's employ for one year. The employees are skilled mechanics, and the amount is divided in proportion to their wages. The plan applies to the rank and file and department heads, but not to the office force.

(1919) A representative of the company reports, December 27:

"Our old force of hands, who had been with us a great many years, was sadly depleted by the war, some of them going to the automobile factories, some to shipbuilding plants, and others were connected with war manufacturers of different kinds. We have never as yet been able to build up our organization back to its old time standard, and it is very difficult to accomplish this, as we only employ the highest grade of skilled workmen. We are also particular, too, as to their character and general habits. We can say in a general way that we are strong believers in the profit sharing plan, but we believe that success depends entirely on just how it is put up to the beneficiaries."

## LOUISVILLE VARNISH COMPANY.

LOUISVILLE, KY.

(1916) Every employee who has been with the company a year receives a bonus of 10% on his salary. The president of the company states that they are very careful that the salaries paid by them are as much as or more than those being paid by others for the same kind of service. In further explanation he says that the plan "of course is really not on a profit sharing basis, but is a bonus or a present, and as philanthropy or benevolence does not belong in business we worked up a plan looking to the distribution of a certain percentage of the gross profits of the company."

(1919) P. H. Callahan, president, September 12:

"We have made several changes [in the plan], which is almost identical with the plan outlined by Mr. George W. Perkins.



“With many years’ experience in profit sharing we become stronger advocates of the principle, but it requires a systematic effort to have the employees fully appreciate the benefits of same.”

In a recent address, Mr. Callahan said:

“We distribute the annual profits among the employees as well as the owners, and we do that on a fifty-fifty basis. When the books are closed at the end of the year, every person who works for the company, from the president in the office to the wrapper boy in the factory, has been given a wage commensurate with the character of his work, with a becoming living as the minimum, which was paid each week or month during the year. Then, we pay a living wage to the actual capital invested, which is simply the market price of money or the usual rate of interest, and that gives us a starting point of equality between labor and capital. From here on we split half and half. The employees and owners having each alike received a return necessary to support them in the part they play, we are ready to divide the remainder, which we do share and share alike, one-half going to the capital and the other half going to the labor that has been employed. The half that goes to capital is divided among the owners in proportion, of course, to the money they have put in. The half that goes to labor is divided among the employees in proportion to their respective wages during the year, so that one who gets \$60 per week in wages receives twice as much of the profits at the end of the year as the one who gets \$30 in wages.”

#### LOWE BROTHERS COMPANY.

PAINT AND VARNISH MAKERS. DAYTON, OHIO.

(1916) Under the will of a former president of the company, the income from his interest in the business is divided among the employees. For the purpose of distribution, the employees were divided by him into three classes: (1) Those receiving \$1,000 or under; (2) those receiving from \$1,000 to \$2,500; and (3) those receiving \$2,500 or more. The current dividends on this fund are divided into three parts, and each part is then divided among the number of employees in that class. The president of the company says:

“I do not consider the plan an unqualified success, and therefore I am trying to work out a better one, but so far have

been able to conceive of no plan other than steady work, fair wage and reasonable conditions under which to work, that will stimulate the rank and file."

(1919) D. A. Kohr, secretary and assistant general manager, October 9:

"We have no profit sharing plan. The former president of our company, who died a number of years ago, left a provision in his will that the dividends from his stock should be paid to the employees of the company for a period of ten years. This period has now elapsed, and we have no profit sharing plan of any kind in force. We have been investigating this subject and are considering the advisability of adopting a plan if we can find one that appears to be satisfactory. So far we have come to no definite conclusion in this matter."

#### THE WALTER M. LOWNEY COMPANY.

MANUFACTURERS OF CHOCOLATES. BOSTON, MASS. 1903.

(1916) Employees of all grades who have been in the company's service for one year and have done satisfactory work are given a bonus at the expiration of that period. The bonus is based on the weekly wage for the year and varies in different instances. Occasionally the bonus is withheld as a penalty for carelessness.

The system is the outgrowth of a distribution of Christmas bonuses to certain employees, which rapidly grew to include the entire force of more than 1,000 employees. The company reports that the result has been satisfactory but that the establishment of a definite minimum wage by the State of Massachusetts might lead to abandonment of the bonus plan and the combining of wages and profit sharing in a single item of wages.

(1919) The vice-president and general manager writes, September 5:

"Trade conditions here in our line made it seem advisable to change the profit sharing plan which we had in effect from 1902 until about 1916. This was due to the fact that there is a definite high point of production and employment in the candy business for which special inducements were made to employees which had the effect of undermining and



practically putting out of business the more conservative plans which covered the full year period.

“Manufacturers in our line, instead of working on a profit sharing basis are now working largely on a so-called full attendance dividend, which means that for the last several months of the year bonus payments of say 5% for full weekly attendance, additional 5% for full four weeks’ period attendance and in some cases a third 5% for full attendance for the full period of the several months, are being paid in addition to the regular wages.

### LYON, GARY & Co.

#### LUMBER MANUFACTURING. CHICAGO.

(1919) Calvin Fentress, treasurer, November 19:

“Lyon, Gary & Co. are interested through their directors and stockholders in a large number of lumber manufacturing concerns, and while we are not attempting to speak for any one of them in particular we can say that our general experience has been that profit sharing plans, as generally understood, have not given the results for which they are intended.

“As we understand it, the purpose of profit sharing is first, of course, to do the fair and just thing by employees, but more particularly to give them a deep personal interest in their work and to stimulate them to their best efforts. In the writer’s opinion, a general profit sharing plan does not accomplish these purposes. Few employees of a large corporation understand the thousand and one accounting items that go to make up the final profits or losses of a manufacturing operation. Even if they did understand the accounts, with which they have nothing to do and which are absolutely beyond their control, they would not be stimulated by the knowledge gained.

“Our thought therefore has been to study this problem by breaking it up into its smallest factors and attempting to show the individuals in small comprehensive groups the results they were producing and then sharing with them the benefits accruing to the operation through improved effort of that particular department with which they have to do. This in the last analysis might be said to approximate the piece system, though in the writer’s opinion it is quite a

different proposition. In a word, our theory has been to try to study out the organizations with which we are connected, devising plans that would stimulate the whole organization—the officers in the general results from the entire property, the department heads in the results of their respective departments, the foreman in the results produced from his little group and so on down through the sub-foremen to the individual men. It requires a great deal of accounting and much close attention to cover changing conditions.

“We think that stock ownership by the men higher up in the organization is excellent, but for the average employee we feel that the plan accomplishes little. The amount of stock he is able to own is so small as not to be of great benefit.”

### JAMES MCCREERY & Co.

DEPARTMENT STORE. NEW YORK.

(1919) As reported by Louis Stewart, November 14, the company in September instituted a plan “to increase further the co-operation, productive ability and earning power of its employees.” It proposed to divide one-half of the savings in operation which the managers were positive would result from the plan among the workers of the establishment. By savings in operation was meant reduction in the percentage of cost of operation, resulting mostly from an increase of sales, which on the part of the workers is directly accomplished by unceasing diligence during store hours, courtesy, carefulness in saving, accuracy and the avoidance of waste. The workers at present under the plan number 1,100. The organization comprises a body of representatives whose resolutions are submitted to a cabinet composed of the executive officers and managers of the business.

The plan includes only the workers, and the attitude toward it is reported as enthusiastic, with no labor troubles. The buyers of the firm work on a percentage of sales basis, and the other heads of departments receive bonuses independent of the profit sharing plan.



## MABLEY &amp; CAREW COMPANY.

DEPARTMENT STORE. CINCINNATI, OHIO.

(1919) A profit sharing plan, known as the bonus-commission plan, has been presented to the employees of this company and indorsed by them. This plan is to guarantee an employee earnings equal to a certain percentage on sales, to vary according to the department. If the commission should fall below the present pay of an employee there would be no deduction, and if it should go beyond that sum he would receive the added amount represented by the difference between his present salary and the total percentage to which he would be entitled. This bonus will be retroactive as of January 1, 1919, and will be paid quarterly. About 300 employees (50%) will share in the distribution for the first six months of 1919.

## MAJESTIC MANUFACTURING COMPANY.

IRON RANGES, WATER HEATERS, ETC. ST. LOUIS, MO.

(1916) All employees who have been with the company for two years or more receive a premium for continuous and loyal service, on the following basis: for two years' service, \$10; four years, \$20; six years, \$30; and so on to a maximum of \$100 for 12 years or over. The premium is paid in cash shortly before Christmas.

The company established the eight-hour day 20 years ago, and claims to pay the highest wages for the class of work performed. In December, 1914, 223 employees participated, the aggregate amount then paid approximating \$8,000. The average number of employees is 485.

(1919) Frank R. Henry, vice-president, October 13:

"We never had any profit sharing plan in force in this company. We did use a little bonus plan a few years ago, but our experience with it was not satisfactory. Men nowadays want wages, and don't want to be involved in any profit sharing scheme. In other words, they are going to get theirs whether the employer gets anything or not. That seems to be the general feeling at this time. It may be possible that a profit sharing plan may be worked out that would bring about a more harmonious industrial situation, but if so human

nature will have to be changed. A long campaign of education will be needed to accomplish anything of a permanent nature."

### A MANUFACTURING COMPANY.

NEW YORK.

(Name of company withheld because plan new.)

(1916) The subject is a puzzling one and according to my experience employers are much more concerned than employees in the matter, and it is very difficult to see whether they get value for what they spend in that direction or not.

A manufacturing company, of which I am a director, is now trying a new line, that is, new to us and differing slightly from anything else in practice that we have seen.

It has been our custom for some years to give bonuses at New Year to foremen and others, based in a rough way on the work of their departments, and the total amount of the bonuses being a percentage of the profits of the concern. This year we have changed that, and instead of cash gave them passbooks on a "co-operative savings fund." They can withdraw these deposits if they see fit, or can add to them from their own funds precisely as in a savings bank. So far there have been more new deposits than withdrawals. The company guarantees 5% on these deposits and if it pays dividends in excess of 5% will make the rate on the deposits equal to its dividend rate. At present this rate is 7%. How it will work we are much interested to know, but the hope is that each of the men will now feel a sense of ownership in the plant. This plan may not be ideal but it seemed to us a good way of working out the cash bonus scheme, which no doubt had done us no harm, but as far as we could see did us no particular good. The men participating in the dividend fund amount to 8% of the total employees (15% of the men) and of course are the best paid and most intelligent.

(1) Our plan calls for a cash distribution with option of investment parallel to stock but not in stock, the amount in either case being based upon company's profits and record of man's work during the year. See memorandum below.

(2) Cash distribution without option was begun 1904, option in 1916.



(3) Includes heads of departments, assistants to heads, and office men.

(4) Four hundred employees, of whom about 200 are women; 30 participants, all men.

(5) It has created some good feeling, but good effect probably small and difficult to appraise.

(6) Modified 1916 as shown below.

*Memorandum.*—For 12 years past it has been our custom to give to each foreman and to a few others in important positions New Year checks. The total distribution was a fixed percentage of the profits of the company, while the shares were figured with reference to the amount of work and supposed efficiency of the particular department. With each check was sent a brief letter from the treasurer explaining the method of computation but not stating what percentage of profits was distributed. The business has been a growing one, hence both the number of participants and the amounts of the individual checks have had an upward tendency.

Some years ago, in recognition of a notable service, we gave one man in addition to his annual check a certificate for a few shares of stock, and found that he attached much more importance to this than to an equivalent amount of money. This incident confirmed the idea, already entertained, that it would be helpful if we could give the men something not to be spent but to be kept. We did not wish to give them stock, because there was no open market for it, and there was some risk that we did not wish them to take, and because our shares being hundred dollar shares and most of the checks being of amounts under \$100 each, the delivery of stock would be complicated and difficult for some to understand.

Accordingly we established in January, 1916, what we call our co-operative savings fund, on the following plan:

I. A bonus list is established, including all foremen who received bonuses in 1915 and also certain office employees and others, the length and value of whose service entitle them to recognition. The executive committee will make up the list at an early date, and may add and withdraw names at any time.

All on the new list on February 1, 1916, will receive bonuses out of the company's profits of 1915.

II. All bonuses will hereafter be paid in passbook credits, but with the right to withdraw all or any part forthwith as below provided.

III. Every one on the list and every person whom the company may admit to the fund will receive a passbook in which his bonuses and any other moneys he may deposit with the fund, and as well all dividends on credits, will be entered.

IV. All credits, whether from bonuses or other sources, may be withdrawn at any time.

V. The company will guarantee all passbook credits, and also the payment thereon of an annual dividend at the highest rate paid on any class of its stock. At present it pays 7% on preferred stock and 6% on common. Should dividends be suspended or reduced it will at any rate pay 5% on passbook credits.

VI. The fund will be invested in the company's mortgage bonds, other first mortgages on the company's property, or its preferred stock. The earnings will be applied on the dividends, and the company will make up the difference.

VII. Any one ceasing to be employed by the company ceases to be a member of the fund and must withdraw his account unless the company consents, as in case of disability, to continuance.

The company reserves the right to determine the membership of the fund, to limit the amount of deposits, and also to discontinue the plan altogether at the end of any year, in which case it shall forthwith cash all deposits.

VIII. The fund shall be administered by a committee of five depositors, all of whom shall be named by the company for the first year. After the first year the depositors shall elect three members of the committee and the company shall name the remaining two.

The committee shall audit accounts, fix rules and times for receiving deposits and paying withdrawals, select investments, and make other reasonable regulations.

This plan was put in operation by the delivery of the passbook to each depositor by the treasurer of the company, with oral explanation. As a rule only one depositor was called to the treasurer's office at a time. It should be added that most of the men have been for considerable periods with the



company. In explaining the plan, stress was laid on the desire of the company that the men should have and feel an actual ownership in the concern, but without the risks of stockholding. So far as could be judged it was extremely well received. One man, for example, said the feeling of being one of the company was worth more to him than any dividend. Two have drawn out their bonuses in cash, but this is more than offset by new deposits made.

The company members of the committee, being the vice-president and the treasurer, have qualified by becoming depositors of their own funds, but only in nominal amounts.

(1919) Mr. Lloyd wrote, November 19:

"The plan is still in force. Certain employees draw out the amounts credited to them at once. Others treat the account as they would a savings bank account and draw only when in need of funds. Others again religiously keep the whole amount in the fund, and continue to accumulate. The net result is that the fund at this date is about equivalent to the total payments made into it by the company. In other words, deposits of employees' own moneys about equal the drafts made. Average number of employees in the particular factory about 400, of whom about 10% participate.

"No change or modification has yet been made. Dividends are now 8% per year, corresponding to increase in rate on our stock. We plan to open the savings fund (not the bonus distribution) to all employees of long standing.

"The feeling toward the plan is friendly. We have never had serious labor trouble in any of our plants. This plan extends only to foremen, office men, and a few other employees of long standing, hence it does not reach those among whom labor troubles would be most likely to arise.

"It is my thought that piece-workers should be paid by fair piece rates with direct bonuses for special production. If these rates and bonuses are just, the piece-worker receives his due, and is hardly more a factor in making the profits than is the man who sells us our materials.

"But I am not able to devise a satisfactory method of piece pay or production bonus for foremen, inspectors, clerks, etc., whose work nevertheless, especially when involving discretion, ingenuity, or executive ability, may be a very mate-

rial factor in the profits of the business. We think that a share in the profits is due to these people and by our annual distribution of a fixed percentage of profits (before, not after, dividends on capital) we give it to them. The share in this bonus fund which each man gets depends on our opinion of the value of his work for the year. Our discretion is only as to the division of the fund between the participants. The total to be distributed is fixed at the same percentage each year.

“The savings fund is supplemental and is designed to give all participants in the bonus, and all old employees as well, a chance to participate in the prosperity of the company on the same basis as stockholders.

“In connection with the recent purchase of an additional factory above mentioned, we made an increased issue of preferred stock and at the suggestion of one of our officers opened the subscription books to our employees as well as to our existing stockholders. There was no public sale of the stock, all the shares put out going either to present stockholders, present employees, or persons recommended by them. There was no solicitation, simply a notice on the bulletin board. The amount taken by the employees and their friends was surprisingly large, and some subscribed for this preferred stock moneys which would have been safer and would have paid a large return (8%) if invested in the savings fund. We are therefore wondering whether the savings fund plan is fully understood even by our more intelligent and experienced employees, and whether a direct stock ownership plan might not be a desirable addition or substitute.

“It may be mentioned that we have a very live foremen’s club which meets fortnightly, and of which the company’s officers are members. We have also a co-operative store, which buys coal, groceries, etc., for the employees and which they themselves operate. We maintain group insurance on the lives of all in the company (after a certain length of service) from the president down. We assist employees in the purchase of homes and in other ways.

“I do not class any of these things as profit sharing. I merely recount them to indicate the general relation between our company and those who work for it, which may be helpful in understanding our savings fund plan.”



## MECHANICVILLE KNITTING COMPANY.

MEN'S WOOL AND COTTON UNDERWEAR. MECHANICVILLE, N. Y.  
1910.

(1916) Every employee who has been in the service of the company for one year receives the equivalent of a week's salary at Christmas. The total distribution amounts to about \$1,000. There are 100 employees.

The company reports that the plan has been successful and that there has never been a strike of any nature among the employees.

(1919) The company states that the plan as outlined in 1916 is still in force and has proved very satisfactory. It has about 110 employees, and "all share in the benefits of the profits at the end of each year."

## METROPOLITAN LIFE INSURANCE COMPANY.

NEW YORK CITY.

(1916) The Metropolitan Life Insurance Company established in 1900 a system of company contributions to a savings fund in which its employees may be voluntary depositors. Agents, superintendents, assistants, clerks in the home office or any employee not in receipt of the higher grades of salary may pay into the fund an amount annually not to exceed a certain per cent of one's salary. The fund is administered by a board of trustees made up of seven officers and other members of the staff. The company contributes an amount equal to 50% of the amount paid in by the members. A depositor may withdraw from the fund at any time he so desires and for any cause. If he voluntarily retires, he can take out of the fund all the money he has put in plus all interest accumulations, and in the year of withdrawal 3% from the last interest day to the date of withdrawal. If he stays in the fund until permanently disabled or he dies, his contributions with interest and the company's contributions of 50% and interest are paid in one sum to his heirs in case of death, or to himself in case of invalidity.

The growth of the fund in membership and money has been steady. For example, on December 31, 1904, the membership was 5,067 and the accumulations \$333,511.98. The

voluntary withdrawals during the year had aggregated \$29,886.27 and the company's subscription \$34,031.64, while the forfeitures were \$9,103.60. The interest paid was 5.25% and the additions to the three classes of membership 2.58, 4.50 and 3.47%, making in case of the three classifications the average rate of earnings 7.83, 9.75 and 8.72%. On December 31, 1915, the membership had grown to 8,842. The voluntary withdrawals during the year aggregated \$199,266.25. The amount of the company's subscription was \$138,587.28, and the forfeitures \$86,290.58. The total amount of the fund was \$2,971,038.24. The earnings of the contributors to the fund had been: For 2,818 Class A members (clerical force), interest 5%, forfeiture 1.43, making the average rate 6.43%; for 4,396 Class B members (agents), interest 5, forfeiture 4.68, total 9.68%; and for 1,628 Class B members (superintendents, assistants, etc.), interest 5, forfeiture 4.68, total 9.68%.

The earnings indicated by these percentages are in addition to the 50% subscribed by the company. For years the total amount received by the depositors had been over 10% of their deposits. Illustrations of the growth of individual sums in the fund are seen in the fact that one member whose deposits amounted to \$1,803 had to his credit in the fund \$6,000. A superintendent who had deposited \$950 had received additions of \$1,578. An assistant who had deposited \$1,193 had to his credit \$4,050. An agent who had deposited \$1,160 had to his credit \$3,408.

(1919) Lee K. Frankel, third vice-president of the company, September 16:

"The plan outlined on pages 112 and 113 of your last report is still in force. There has been no important change or modification in the rules since 1916. As far as we can judge, employees appreciate the fund and avail themselves of the company's offer. We have never traced the relationship between the fund and our labor problems."

Company booklets give the following data:

In the staff savings fund, on December 31, 1918, there were 7,901 depositors of all classes, with credits to their accounts totaling \$4,122,367.21, of which the company's subscriptions with interest amounted to \$1,729,729.93. The average rate of interest earned for the period between 1900 and 1908 was 5.16%.



The company also maintains a vacation savings fund, the number of depositors on January 1, 1918, being 1,762; deposits, 1918, \$23,208.50.

In August, 1914, the company offered to employees an insurance plan under which provision could be made against sickness and accident. The company pays one-half of the premiums. On December 31, 1918, 14,413 employees had availed themselves of this offer. Of these, 3,720 were home office employees, and 10,693 employees in the field. During 1918, a total of 21,952 claims, amounting to \$263,809.70, were paid. Of these, 7,961 were on home office employees and 13,991 on those in the field. The policy provides for the payment of two-thirds salary during the first twenty-six weeks of illness, beginning with the eighth day of sickness. From the beginning of the twenty-seventh week of sickness to the expiration of the fifth year of sickness, one-half of the original benefit is paid. After this time until the employee reaches age 65, one-quarter of the original benefit is paid.

The company has taken out group insurance on its own employees. During the year 1918, 49 claims were paid on the lives of members of the field force, with insurance aggregating \$60,090. During the same period 49 claims were paid on the lives of home office employees for insurance aggregating \$45,331.

The company has continued its practice of providing for aged and disabled employees. During 1918 it authorized the payment of allowances to 481 field employees to the amount of \$252,622.51, and to 49 home office employees, to the amount of \$23,228.59. In addition special allowances to meet unusual contingencies of \$19,469.98 were made to 798 employees.

The company also maintains numerous welfare and educational features. It issues booklets describing its various welfare plans.

#### MILWAUKEE GAS LIGHT COMPANY.

##### MILWAUKEE, WIS.

(1916) Every six months the employees are paid a share in the profits, at a percentage upon wages earned during the preceding six months, somewhat in excess of that paid on the capital stock of the company. Employees to participate must have been with the company one year, and must have worked five months out of each six months' period, unless absent on account of sickness or for other special reasons. Officers of the company are not included.

The company reports that it does not consider the plan an unqualified success. It has promoted regularity of employment, but the gift of additional money twice a year has had bad effects on the habits of certain of the men. The regular employees in time consider the extra money as a part of their wages and not as a bonus for good behavior and steady work. The company also points out that one of the objections to the system is that all share equally; "the man who barely escapes discharge is treated just as well as the best and most efficient in the organization. Of course, this is an inherent defect in nearly all of the profit sharing plans and one which is difficult to eliminate successfully."

(1919) R. B. Brown, general manager, September 5:

"Our plan of distributing bonuses to our employees at the same time that we pay dividends to our stockholders is still in effect, and, being based somewhat upon length of service, it covers about 80% of our present employees."

#### MINNEAPOLIS BEDDING COMPANY.

MANUFACTURERS OF METAL BEDS AND BEDDING.

MINNEAPOLIS, MINN. 1915.

(1916) After paying stockholders 7% on the book value of the company's stock, creating a sinking fund equal to 5% of the outstanding preferred stock, writing off an amount not to exceed 5% of the book value of buildings and machinery, for wear and tear, the remaining profits of the company are divided between the stockholders and the employees. An employee earning \$1,000 a year shares equally with the stockholder having stock of a book value of \$1,000. Employees must have served the company nine months before being eligible. An accountant is employed by the employees to ascertain the profits for the year.

A general committee to represent the employees is elected, with three members from each of the eight departments, and the company's announcement states that: "No foreman is eligible to a place on this committee, but the foremen will be invited in by the management at all conferences." It is also provided that the share of profits that would accrue to transient labor shall be used for shop betterment, "and if found necessary both the employees and the stockholders will be



expected to contribute their share for additional shop betterment from time to time. But no more than 10% of said profits shall be employed in additional shop betterment in any one year."

The corporation has about 200 employees and a paid up capital of \$425,000. Payroll and salaries amount to \$150,000.

(1919) Charles M. Way, president, November 20:

"We are continuing our profit sharing plan. We feel that the results have been very beneficial during the past strenuous years, as our labor turnover has been exceedingly small. We have about 200 in our employ, and all participate in the profit sharing; all at least that have been in our employ nine months previous to a distributing period. The employees seem to feel favorably toward the plan. Owing to our inability to get steel last year there were no profits to divide, but the help took this without a murmur, and have been as enthusiastic and loyal this year as at any time past.

"We believe our profit sharing plan is a success. The main objection is that there are not always profits to divide. One of the chief advantages of it, however, is the monthly meeting we have where the representatives of all departments gather with a view to increasing profits. At the same time any trouble can be talked over in a friendly way. We deem it a great advantage to have committees appointed from the different groups, not to kick but with a view to increasing profits. The spirit of approach between the man and the company has been worth a great deal to both sides."

In the company's profit sharing agreement is this provision:

"It is understood that the employees are to have the sole naming and employing of a chartered accountant to ascertain the actual profits from year to year. The expense of said accountant to be paid (from profits) before a division is made. In case that for any reason there are no profits to divide the report of the above mentioned accountant shall be to the effect that there will be no profits this year for division."

## NATIONAL LEAD COMPANY.

NEW YORK.

(1920) Edward J. Cornish, president, January 22:

"We have no regular scheme of profit sharing adopted as a universal policy.

"We have in our service some who receive a percentage of the profits of their department, or companies, as their compensation. This is limited in number, but has proved to be very profitable because, as I believe, of the unusual ability of the man. The salaries of all salesmen are adjusted from time to time. For the purpose of determining their salaries the profits made by them are kept and tabulated and is used when salaries are increased, but so far as I know has never been useful in bringing about a decrease of salaries with decreasing profits.

"The company encourages all of its officers and employees to become owners of its common stock and to that end has permitted officers and employees to buy stock at market price and obtain the money with which to pay for the same from the National Lead Company to be repaid in monthly payments withheld from their salaries. In these cases I, as president of the company, have purchased the stock which was offered to our people at actual cost. We will doubtless continue this practice in the future in the belief that it encourages thrift and tends to develop interest in the company. To date it has been accepted with enthusiasm, but to date the market price for the stock has always been more than the price at which they acquired it. We hope that by the interest thus stimulated the value of the stock will never become less, but should such an event happen that would prove the real test of the scheme."

## NATIONAL PAPER COMPANY.

ATLANTA, GA.

(1919) S. Wise, manager plant, October 16:

"We have in effect a bonus system. The production of each machine is standardized and for anything above this standard produced daily we give to the man running such machine a stated amount per unit of production. Some of



our men have been earning \$4 to \$5 per week extra. One man for his part has doubled his pay for over two months; some, however, have not been earning anything extra at all. Upon investigation it was disclosed that this was not due to the bonus system, but only to the lack of interest displayed by the operator.

“What we are after is some comprehensive profit sharing plan to place all our workers on an even basis. We really believe that the trend of the times is such as to make it absolutely necessary within the next few years at the outside for all commercial concerns to have some sort of profit sharing plan, and we feel disposed to give a thorough trial to some such system.”

#### NEW ENGLAND CONFECTIONERY COMPANY.

BOSTON, MASS.

(1919) Frederick Hayward, November 12:

“The profit sharing plan was adopted by this company in 1906 and is still in force. At the present time our average number of employees is 1,200, and of these about 80% will probably participate in the profit sharing for this year. In general it is felt that our employees appreciate the plan. This company has always been free from labor troubles, and it is undoubtedly true that the profit sharing plan has helped to maintain the cordial relations that have always existed. The plan is not limited and it includes all those who are on our payroll September 1 who comply with a few simple regulations and who are still on the payroll when the profit sharing dividend is payable, about February 1. The only exceptions are officers and directors of the company. The plan is not regarded as an unqualified success. Profit sharing has come to be looked upon by some as a bonus on wages which is certain to come along regularly every year. It is the feeling of our directors that our present plan can be, and ought to be, changed and improved.”

#### NEWPORT DAILY NEWS.

NEWPORT, R. I. 1901.

(1916) A cash distribution is made annually to employees who have been with the newspaper a full year, in the

proportion which the individual employee's wages bear to the entire payroll. About 45 of the 57 employees are eligible. The president of the company says: "The plan was established voluntarily upon what I believe is correct principle. I am not sure that it has increased interest and so it may or may not be a commercial success."

(1919) Edward A. Sherman, president and treasurer, September 5:

"Our profit sharing dividend is still in force and the results are very satisfactory. The average number of employees participating in it is about 30. No change or modification has been made in our plan and those for whose benefit it is intended like it. It has undoubtedly been the means of eliminating any tendency toward labor troubles. The distribution is based on the percentage of profits and it includes all the force except the majority owner of the paper. We regard it as an unqualified success."

#### NEW JERSEY ZINC COMPANY.

NEW YORK.

(1916) The company announced in January that a certain sum had been set aside out of the net earnings for payment to the employees of a bonus of 10% on wages earned during 1915. Only those who have been with the company at least one year are eligible and the payment is said to be purely a gratuity, not affecting wages or salaries. The bonus will be paid in four instalments during 1916 to those who are still in the company's employ on the first pay day after January 1, May 1, August 1 and December 1, respectively.

(1919) A. P. Cobb, vice-president, January 7:

"The plan is unchanged except that the percentage on wages is governed from year to year by the amount which the company earns."

#### NORTHWESTERN NATIONAL INSURANCE COMPANY.

MILWAUKEE, WIS.

(1919) W. A. Reed, vice-president, November 10:

"We are, and have been for nearly two years, compensating our employees upon a salary basis plus a percentage



bonus figured on that base. This we believe to be the practice nowadays of most of the representative companies engaged in the insurance business."

### OHMER FARE REGISTER COMPANY.

DAYTON, OHIO.

(1919) John F. Ohmer, president, November 12:

"In our opinion, there can be no general or fixed plan for making ideal conditions between employer and employee. Plans which are devised in plants operated on a piece basis would not apply to specialty plants; i.e., where the product is variable and continuously changing.

"During the period of the war we adopted a loyalty bonus plan whereby each employee received a bonus of from 8 to 15% of his wages, the percentage varying in accordance with the time served by the employee. Since the armistice was signed we have continued this bonus.

"Our plant is open to all comers who can qualify, irrespective of religion, politics, associations or previous condition of servitude. We have no fixed scale of wages, but pay according to qualification and service rendered. We employ from 1,000 to 1,200 people. Our employees seem satisfied with our plant. We have no trouble nor indications of trouble with labor. Dayton boasts of having 1,000 or more industries, and with one exception all of its plants are open as is ours. The unrest to which you and so many others refer does not originate with the employee. It is conceived and is propagated by union labor walking delegates and radicals whose sole ambition is to cause all the trouble possible with the ultimate aim, through the co-operation of the Socialists, to throw the whole country into discord, insubordination, strikes, and finally revolution."

### THE OWL DRUG COMPANY.

SAN FRANCISCO.

(1919) W. M. Berg, secretary and general manager, reports that the only plan the company has tried is a distribution to the managers of 30 retail stores of a percentage of profits varying from 5% to 8%. The method of ascertaining

the profits is described in detail in a communication by the company to its managers.

PALMER LIME AND CEMENT COMPANY.

NEW YORK.

(1919) Charles L. Leo, general manager, November 12:

"We have consistently tried to work out a plan to put in effect in our organization, to distribute the profits among salesmen, office help and employees at the plant, but have not as yet been successful in arriving at a plan which does not carry with it some dangerous elements. We are at the present time operating under a bonus plan at the plants, whereby employees who do not miss time in the three months period receive a bonus of 10% of the wage earned at the expiration of the bonus period. This, however, does not apply to the sales force or office force."

PATTON PAINT COMPANY.

MILWAUKEE, WIS.

(1919) Ludington Patton, president, November 17:

"In reference to our employees' investment and profit sharing plan: Date of installation, November, 1910; average number of employees, 600; interested in plan, 65%. The employees appreciate the benefits of the plan and are entirely satisfied with its operation. We consider the plan to have been of material assistance in preventing labor disturbances. It is not limited to any one class, but its privileges are extended to any one who has been in our employ for more than one year. We regard our employees' investment and profit sharing plan as an unqualified success and would not consider its discontinuance under any circumstances."

B. PECK COMPANY.

DEPARTMENT STORE. LEWISTON, MAINE.

(1919) Frank Peck, treasurer, September 8:

"Our bonus plan was again established this year, after three years' discontinuance, which was not caused by any fault of the plan, other reasons prevailing. The results are



amply sufficient to warrant us to continue it. We employ about 100 people, practically all participating.

“In addition to the special distribution plan, we have a sales bonus plan for salespeople, which is proving remarkably efficient. This plan is based on department quotas to cover fixed selling percentages, the bonus being paid on sales in excess of quotas. Our plan does not individualize the quotas—it departmentizes them—for we feel stock keeping, etc., is quite as important as selling.

“In addition to sales bonus and special distribution, salaries are automatically adjusted every season—each six months. Our department managers are paid a percentage of their increased sales and a percentage of their net profits. We are showing such excellent gains in sales over a year ago that we feel we owe no small part of them to our bonus plans. We feel, in the main, we are enjoying the confidence and good will of our employees.”

#### PENNSYLVANIA ENGINEERING COMPANY.

BLAST FURNACE CONSTRUCTORS. NEW CASTLE, PA. 1916.

(1916) In December, 1915, the company announced that if the earnings of the business during 1916 were sufficient after payment of an 8% dividend on the stock a bonus on wages would be given to employees who had been with the company three months or longer. The bonus will be 10% or less, as may be justified by the amount of the net earnings. There are about 500 employees.

(1919) E. W. Beadel, president, October 9:

“The plan was not acceptable to the majority of the employees. It was to give a 10% bonus on the yearly wage, or salary, received to all the people who had been in our employ over three months. There were about 400 employees, consisting of machinists, boilermakers, blacksmiths, pattern makers, foundrymen, electricians, draftsmen, general office force and miscellaneous labor. The whole foundry department, comprising practically 100 men, refused to accept the bonus, but insisted upon an immediate advance of 2 cents per hour in place of taking the bonus, which at that time would have been 4½ cents per hour. The electricians and cranemen insisted upon the same arrangement as the foundry,

and this was followed up by the common labor preferring cash in hand to a bonus. When we got through with the adjustment less than one-third of our employees accepted the bonus, and that third was made up of machinists, boiler-makers, draftsmen and general office force.

"We cannot find that the bonus has helped us any in avoiding labor difficulties; neither do we feel that it has acted as an inspiration to better, or more, work, because, after a few months it seems to be accepted by all as a right and not as a privilege. In one way we probably get some help because of the fact that the bonus is paid only once a year, and then only to those who are in our employ the last day of the year. As a consequence, if an employee has been working under the bonus plan for six months or more, he is very loath to leave because the amount coming to him under the plan represents too much of a sum to leave behind carelessly.

"Our offer to our employees was to this effect—that after the company had set aside 8% on the capital stock for its stockholders, the next money earned would go to the employees until such an amount as would pay 10% on the yearly income of the employees had been accumulated. So far we have been able to earn sufficient profit to give the bonus each year; but I am sure that if for any reason we should not earn the bonus, there is going to be a lot of dissatisfaction, and the fact that we gave to the bonus people two or three times more in bonuses than would have been received by them had they taken the cash raise given the foundrymen, electricians, etc., at the beginning, is not going to keep them from feeling that they have gotten the worst of it."

### THE PETTIBONE-PEABODY Co.

IMPORTERS AND RETAILERS. APPLETON, WIS.

(1919) J. D. Steele, president, December 29:

"In a relatively small and compact organization such as ours, and in a business of the retail distribution of dry goods and women's apparel, we have found it simpler to make direct payroll adjustments rather than to work out any profit sharing or bonus plan. For many years we have had a pension system under which employees steadily engaged with this company for 25 years may retire at the end of that



period on 60% of their pay at the time of their retirement, but in no case to exceed \$900 per year. We have several now retired under this plan and several others who are eligible but not yet retired."

PLYMOUTH CORDAGE COMPANY.

NORTH PLYMOUTH, MASS. 1912.

(1916) When the company is unusually prosperous and able to pay the stockholders an extra dividend, the employees are allowed to share in the extra profits. They are given the same percentage, based on wages, that the stockholders receive.

The custom is to give the investors 4% upon their capital, the company considering that to be a fair return. Anything earned in addition is regarded as an extra dividend.

During the hearings before the state arbitration board in connection with the settlement of a dispute lately, the men stated that they would prefer not to have the profit sharing arrangement, because those who leave the employ of the company have no opportunity to participate, and they prefer to have any increases in regular weekly wages.

(1919) The company reports, October 31, that it has not made any change in its distribution of profit sharing.

POTOMAC SAVINGS BANK.

WASHINGTON, D. C.

(1920) Under the plan of this bank announced for February 16, the employees are guaranteed monthly drawing accounts equal to the amounts theretofore paid as salary. After all expenditures by the bank, including the dividend to stockholders, have been deducted from the gross earnings, the balance is to be divided into two parts, one-half for the bank and one-half for the employees. Concurrent with their drawing accounts, the employees were receiving more than 70% of the salaries theretofore paid them.

## THE PULLMAN COMPANY.

CHICAGO.

(1916) Car service employees who have been in the service 15 years or more receive at the end of each year 5% of their total annual earnings. The same class of employees who have been in the company's employ one year or more receive a month's pay as a reward for a clear record during the year.

(1919) E. S. Taylor, assistant to the president, September 4:

"If this company contributed information on this subject at the time of your publication in 1916, you will appreciate that the situation has somewhat changed since then, for, as you are probably aware, the operation of our cars, including repair shops, has been taken over by the government and is now under the jurisdiction of the United States Railroad Administration. The subject is one of considerable interest, and I regret that we have no information available which would be of assistance to you at this time."

## PYRENE MANUFACTURING COMPANY.

APPLIANCES FOR FIRE PROTECTION. NEW YORK.

(1919) Of 527 employees, male and female, in the company's factory, general office and sales force, 261 participate in its profit sharing plan. This is an additional compensation plan based on the employee's time of service and the company's dividends.

The plan has been operative since January, 1917. In the opinion of the company the employees "consider it fair and equitable and a proper basis upon which they may enjoy the prosperity of the company." (Pamphlet.)

## REED-PRENTICE COMPANY.

MANUFACTURERS OF MACHINE TOOLS. WORCESTER, MASS.  
1915.

(1916) A so-called "war bonus" was paid to the employees in September, 1915, and continued monthly thereafter, the total for the first four months being about \$32,000.



About 775 employees shared in the January distribution, approximately 550 of whom were machinists. A strike, which is understood to have been for recognition of the machinists' union, was begun at this plant about the time of the inauguration of these bonus payments. When the company is operating with its full complement of help, the distribution, if continued, will affect about 1,500 men.

(1919) A. E. Newton, vice-president and general manager, October 9:

"We have in force at the present time the same incentive system as regards paying our employees for quality and quantity produced. We had in addition to our incentive bonus system a so-called war bonus whereby we paid the employees a bonus equivalent to 20% of their monthly earnings. Our employees did not like this method, and it was very evident that they would prefer this bonus to be added to their regular wage, which we finally decided upon, and carried it into effect in August, 1916. We do not believe in any so-called profit sharing scheme, but do believe in paying maximum wages for quality and quantity in production. We believe that the worker is more contented with this system of payment than any other, and as a matter of fact any system of wages or salaries is a distribution of profits."

### ROOS BROTHERS.

RETAIL STORES. SAN FRANCISCO, CAL. 1915.

(1916) In December, 1915, this firm divided a share of its profits among the employees in its three stores. The heads of departments and their assistants participated directly in the distribution and all other employees who had been with the firm one year or more received premium-paid insurance policies for \$250, \$500 and \$1,000, respectively, according to length of service. The firm has between 500 and 600 employees.

(1919) Louis J. Klein, secretary, September 16:

"The profit sharing plan as adopted by us during 1916 is still in effect with gratifying results. While we have approximately 500 people in our employ, there are about 100 of these that share in the profits, and we feel confident that it is the means of obtaining better results from these employees.

“While the profit sharing plan is confined to the department heads and their assistants, our selling force have another plan that enables them to increase their salaries, by establishing a selling rate, which is obtained by taking their past experience over a number of years, and by getting the average, and consider that amount as their selling figure, and everything over and above that amount we grant them 2%.

“In addition to the above, we insure the lives of all of our employees that have been with us from one to three years for \$250; from three to five years, \$500; and over five years, \$1,000.”

### RUMFORD CHEMICAL WORKS.

PROVIDENCE, R. I.

(1916) The employees who have been in the service of the company continuously for two years receive at the end of that period a bonus equivalent to 5% of their annual wage. All employees participate from department heads down to and including the rank and file.

The company formerly had a plan of giving such bonuses graduated according to the number of years in the service and the amount of wages received but gave it up because it became too burdensome. It regards the present plan as “very beneficial to us in making our help especially loyal.”

(1919) William M. Sweet, treasurer, November 12:

“We have made no change in this plan for several years. Briefly, our plan, if the profits of the business warrant it, is to distribute at the end of the year to those employees who have been with us two years or more a sum approximately equivalent to 5% of the amount of wages they have earned during the year. This distribution is made on the last day of each year. The plan has been in force for at least 10 years and seems to have given satisfaction to our employees. It is not limited to the heads of the departments, but includes the rank and file in the factory. We employ about 500 help, and about 200 participate in the distribution. We think the plan has been the means of allaying unrest among our older employees, but anticipation of participating in it does not seem to affect the newer comers in these days. Formerly, when help was less restless, it undoubtedly had a very excel-



lent effect and there was considerably less number of floaters among our employees before the war. We do not believe that it is fair to us to pay anything extra to employees who have not demonstrated that they are willing to make their employment with us of a permanent character. Perhaps the payment should be made at the end of one year rather than two years, and we have this in contemplation on possibly a sliding scale."

### SAMSON CORDAGE WORKS.

MANUFACTURERS OF BRAIDED CORDS AND COTTON TWINES.  
BOSTON, MASS.

(1919) Herbert G. Pratt, president and treasurer, November 10:

"We installed a profit sharing plan three years ago, but did not apply it to wage-earners, though overseers were included. We are convinced that such a plan is not applicable to the average cotton mill employee, and it is doubtful if it has been warranted even for the overseers. We are continuing the plan, however, considering it simply a method of necessary increase in salaries due to present conditions.

"We think our establishment of a shop committee last spring has aided in modifying the tendency toward labor troubles. This committee has been elected with the understanding that they were not to help manage the business, but were to keep the management and employees in closer communication, so that the troubles of each could be better understood. The wage-earners still seem to prefer a definite weekly wage, either on the hourly rate or on the piece-work rate where possible, and we are beginning to think we may have some success in a method which we are trying of dividing 'fifty-fifty' with the employees the savings in operating cost of a department."

### SEARS, ROEBUCK & Co.

MAIL ORDER HOUSE. CHICAGO, ILL. 1912.

(1916) Each employee receiving a salary not exceeding \$1,500 per year who has been with the company at least five years is given 5% of his last year's salary; if he has been

with the company six years, 6%, and so on until 10% is reached. After 10 years the percentage remains 10%.

(1919) John Higgins, for the trustees, November 12:

"This plan has undergone no change since its beginning in 1912. The number of anniversary checks issued in the last fiscal year, 1918, was approximately 4,400; the amount \$320,000.

"The company inaugurated the 'employees' savings and profit sharing pension fund' on July 1, 1916. The number of participants November 12, 1919, was 7,352; the number of employees being 25,492. It is intended that this plan will furnish to those who remain in the employ of the company until they reach the age when they retire from active service a sum sufficient to provide for them thereafter, and that even those who achieve a long service record, but who may not remain with the company all of their business life, will have accumulated a substantial sum.

"An employee in order to participate must deposit in the fund 5% of his salary. The company contributes a sum equal to 5% of its net earnings. No employee may deposit more than 5% of his salary, and in no case more than \$150 per annum.

"The fund is handled, intrusted and invested under the direction of a board of five trustees, to be selected by the board of directors of the company, three to be officers or directors and two employees (not officers or directors).

"A feeling of general satisfaction exists toward the plan. It could hardly be otherwise, for the company's contributions thus far have amounted to more than \$3 for every dollar deposited by the employee, and these contributions are not substituted for wages; wages paid are at the market rate, or better.

"There has always been a general spirit of harmony between employer and employee in our company. We do not have many members of organized labor in our employ, but those whom we have participate like others and seem thoroughly satisfied that the plan is a good one. They owe allegiance to their union, however, and would be powerless if called upon by their union leaders to strike.

"All employees without any distinction whatever are eligible after three years of service.



"The plan has not been a disappointment in any way. Its founders wished to reward faithful service, and permit the employees in a special way to share in the profits of the business. These ends it has certainly accomplished. No attempt has been made even roughly to estimate in dollars and cents the effect of the plan on the company's welfare. The effect is reasonably expected to be good. Statistics covering length of service and average output would have no significance in this respect because of the effect of the war on our organization through the calling of men into national service and the hiring of women to take their places, and finally the reinstatement of the men after their discharge by the government."

The company gives out much information, in printed form, on the subject.

#### SECURITY CEMENT AND LIME COMPANY.

##### CEMENT PRODUCTS. HAGERSTOWN, MD.

(1919) A profit sharing plan put into effect by this company in 1916 is in force. The company considers it an unqualified success as far as it has gone, but regards the time of operation too short for a thorough test.

Of the 450 employees, about 65 participate. The plan applies only to salaried as distinguished from hourly employees, and there have been no great difficulties incident to its application. The company states the only labor troubles during its history have been "the growing inefficiency and high labor turnover common to all industries during the last few years." The profit sharing plan has undoubtedly resulted in "tying the salaried employees closer to the company, in fewer changes and more loyal work than would otherwise have been the case."

#### SENECA FALLS MANUFACTURING COMPANY.

##### SENECA FALLS, N. Y. 1915.

(1916) At the end of each month the company adds to the pay of all employees 10% of the amount earned by them during that period. The company states that it decided to share the profits with the employees because of the prosper-

ous times and the fact that it had little competition in the vicinity.

(1919) E. R. Smith, works manager, October 30:

"Some time back we did give our employees extra money from time to time, which was due mainly to the fact that our wage rate was not high enough and we deemed it advisable to remunerate our men in this way rather than to advance our rates.

"There is no doubt that a profit sharing plan of some kind will be of great benefit to all concerned, but it has been our experience that anything that is given away, so to speak, is very often not appreciated. We think that if anything of this sort is to be a success it should be along the lines whereby workmen will be permitted to buy stock at a certain price, in which case they would be on a par with other investors, regardless of whether they worked in the shop or not. In order to help the workmen buy the stock we think it would be advisable to carry the stock for them, that is, allow them to buy it at a certain price and pay a certain amount per month on it until it is paid for. This does not smack of paternalism and makes the men feel free and independent."

### THE SENG COMPANY.

MECHANICAL DEVICES, ETC., FOR FURNITURE MAKERS.  
CHICAGO.

(1919) The company pays substantial bonuses for attendance and service, equal in effect, it believes, to a profit sharing system. Previous to July 1, 1919, the employees received a straight 10% bonus on wages earned. The attendance bonus is believed satisfactory in that about 85% of the employees are now earning the full 12½% bonus. The average number of employees is 375. The attendance bonus of 12½% on earnings is paid weekly, and a three-day vacation with pay, or three days' extra pay in cash, is given in case of a perfect attendance record for six months, not necessarily in succession.

There is also paid a service bonus, beginning in the second year at 2% of earnings and rising to 15% after 15 years' service. A life insurance of \$500 is given an employee who has completed six months' service, the amount rising to



\$1,000 at the end of the second year. The company has also provided a weekly indemnity of \$5 for total disability resulting from sickness or accident. An industrial council assists the company management. (Pamphlet.)

SEWARD TRUNK AND BAG COMPANY.

PETERSBURG, VA.

(1919) J. W. Seward, November 13:

"Regarding yours of the sixth, we are paying at the present time bonuses to employees, based on excess living expense over a certain basis that we consider normal. Most of the officers of this concern, superintendents, foremen, in fact, all of the better grades of men, have an interest in the business in the way of stock ownership. As for any plan that would satisfy labor, it is unknown to us, and we believe it is unknown to any other human being under the sun."

SHEPHERD CONSTRUCTION COMPANY.

WILKES-BARRE, PA.

(1916) The company states that about 20 years ago it attempted an experiment in profit sharing but later on restricted it to foremen and heads of departments, on account of losses and annoyance experienced through constant difficulties with organized labor.

Nevertheless, in December, 1914, a new plan was put in operation under which all employees who have been with the company one year receive a dividend on their annual wages. The first distribution was made in January, 1916, at the rate of 8% on the year's wages. If the result proves to be increased efficiency and interest, it is stated that the employees' share in the profits will undoubtedly be increased, but the company regards the plan thus far as purely experimental. The president states:

"We do not discriminate in our employment of labor; politics, religion and organizations have nothing whatever to do with our employment of men. We do ask that they be fitted for the position which they are seeking, by prior experience and training."

(1919) W. C. Shepherd, president, September 4:

"Our profit sharing plan is still in force and includes the rank and file of our employees. There has been no change since 1916.

"We are disappointed in the operation of the plan since it has applied to all of our employees the last five years—disappointed because there has been no interest expressed or shown, or tendency on the part of our employees to express any appreciation of the working of the plan. For example, we have a suggestion box in connection with our work at our plant asking for suggestions, criticisms or expressions of any one in connection with our business. There has not been a single suggestion put in this box for three years.

"The war, of course, disrupted the building business, in fact for a year or more the business was not an essential one and prohibited by the government, and even yet it has not by any means recovered a fair average.

"We find our men largely indifferent in their performance of work and inefficient in some respects as applying to new employees. Their output is becoming more limited and the tendency at times seems to be centered in one thing—more wages, more wages, more wages. We find that the output of the average mechanic in our line of business to-day is from one-third to one-half what it was five or six years ago.

"We have no objection to the organization of men, or the spirit of collective bargaining, in order to bring about a better condition among employees, and we are willing at all times to talk over matters with our own people, no matter what their affiliations might be. We think, however, all classes of labor should be represented in such counsels, whether they are organized union men or not. To assume that a minor portion of employees shall bind the entire lot is not American in principle and cannot properly be carried out.

"We are a believer in the thought that there is something more than capital and labor involved in these times, and in the spirit manifested by the peoples of the world as shown throughout numerous countries since the great war. We believe that capital and labor (organized) represent but a small portion of the population of this country, and the great middle ground composed of merchants, farmers, professional men and those of many vocations are not represented at all



in any conferences. The time is here when these different interests must be represented, and we hope that the President's action at this time will be broad enough to lead to this result.

"Whether we shall abandon our plan or not will depend upon the action of our employees within a year after normal conditions obtain."

### SHUTTLEWORTH BROS. COMPANY.

RUG MANUFACTURERS. AMSTERDAM, N. Y. 1916.

(1916) The company announces that on July 1 they will pay a bonus of from 1 to 5% to employees of the plant. This distribution will be made semi-annually, on July 1 and January 1 of each year. On July 1 of this year all men and women employed in the plant for a period not less than one year will be entitled to a bonus for the preceding six months' work. Those employed by the concern for a period of one year will receive 1% of their total wage during that period; for two years, 2%, and so on up to five years' service. Those in the employ of the company five years or more will receive a bonus of 5%.

(1919) From a representative of the company, October 10:

"We did pay a bonus to our employees in the year 1916. But this was discontinued about a year ago, as it did not prove satisfactory and did not remedy the troubles as we expected it to. We discontinued this plan with simply adding the bonus that was paid semi-annually to the regular hour rates of all our employees."

### ERNEST SIMONS MANUFACTURING COMPANY.

MANUFACTURERS OF SHEETS, PILLOW CASES, ETC.

PORTCHESTER, N. Y. 1910.

(1916) All operatives who have been continuously in the employ of the company through the calendar year receive, on the next ensuing February 15, a bonus of 5% of the wages earned during that period. Of the 800 employees about 600 participate. If the business does not warrant a 5% distribution a smaller amount will be paid if possible. In 1915 no

distribution was made on account of relatively small profits earned. In February, 1916, there was a 5% distribution among 900 employees. An official of the company makes the following comment on the plan:

“We are inclined to the belief that there is a slight increase of loyalty and that thrift is somewhat encouraged, but find no diminution of cost to manufacture. We consider this distribution a good investment—not so much that our employees are any more loyal, but we think they feel that they are somewhat interested in the work and that this interest redounds to our benefit.”

(1919) Andrew Burns, vice-president, September 4:

“Our profit sharing or special distribution plan is still in force. The only variation made in the plan since 1916 has been that of shortening the qualifying period to six months instead of one year. The number of employees participating ranges from 700 to 800. Amount has ranged from 10 to 25% upon year's wages.

“We have avoided serious labor difficulties by giving careful consideration to the demands of our employees and cannot say to what extent the profit sharing plan has had an influence in controlling labor difficulties.

“We have found that profit sharing with us has, in a measure, failed to create the desired affiliation and interest which would cause the employees to feel that the interest and welfare of the business was their interest and welfare, or in other words that they were a part of the business and not simply employees.

“The policy of our company is to create a feeling of co-partnership and co-interest, and we have set forth this policy by preaching and practice, but we regret to say that the response has not met our highest hopes. The employees seem to be so firmly fixed in the idea of being simply employees that they cannot be pried out by any co-operative or profit sharing privileges. However, we have not quit the game and still hope for success.”

THE ROBERT SIMPSON COMPANY, LTD.

TORONTO.

(1919) In March, 1919, the company inaugurated a profit sharing plan in which 1,867 employees are eligible to



join. Of that number 1,383, or 74%, now participate. The company contributes annually 5% of its net profits to what it calls an employees' savings and profit sharing fund. Each participating employee deposits to the credit of the fund 5% of his salary annually up to \$100. He may also invest in capital stock of the company. From the fund is supplied an important retirement contribution, or an accumulated sum to an employee serving for an extended period of years, or a death benefit.

### ALEXANDER SMITH AND SONS.

CARPET MANUFACTURERS. YONKERS, N. Y. 1911.

(1916) Employees who have been in the service of the company for ten or more years receive semi-annually an amount equal to 10% of their earnings for the last preceding six months. Those in its service between five and ten years receive a bonus equal to 5% of their earnings for each six-month period. It is reported that about \$600,000 has been distributed since the inauguration of the plan, the last semi-annual payment being about \$75,000.

(1919) Arthur Laud, secretary, November 12:

"It has been our custom for the past eight years to distribute among our employees a check equal to a percentage on their respective earnings for a six months' period. The amount of percentage has been changed from time to time and this last six months has been arranged on the following basis: One year, 5%; two years, 6%; three years, 7%; four years, 8%; five years, 9%; six years, 10%; seven years, 11%; eight years, 12%; nine years, 13%; ten years, 14%; eleven years and over, 15%.

"August 1 was therefore the sixteenth semi-annual payment. Our method of payment is twice a year; for six months' period ending December 31 we make payment February 1 following; for six months ending June 30, August 1 following.

"We also have an honor roll made up of employees who have become old in our service and have been with us at least 20 years. We have 68 names on the list. We generally allow an amount every month, equal to a week's wages, our minimum being \$20.

“At the present time we employ about 5,000 operatives, of which about 90% participated in the last distribution, the others being in our employ less than one year.”

SOLVAY PROCESS COMPANY.

SYRACUSE, N. Y. 1888.

(1916) The executive officers, foremen and sub-foremen share in a profit distribution proportional to salaries and based on the amount of dividends paid to stockholders. Participants are divided into three classes. Members of the second group receive double, and members of the third group receive three times the proportion paid to members of the first group. Eligibility to these classes depends upon the nature of the work performed, length of service and record of the employee.

In addition, a bonus plan was put into effect in 1910 whereby all employees not sharing in the percentage of profit plan were given a certain sum depending upon the amount of salary and length of service. Employees in the service of the company for two years receive 2% of their salary, and the rate increases up to 6% for those who have been with the company 10 years or more.

With reference to the practical effects of the plan, the company states:

“This plan puts a premium on length of service and has reduced the number of changes in the working force. The men, we believe, are benefited by it, because by receiving a lump sum once a year, they are more likely to have this money available to make payments on obligations, to buy real estate or make investments than if it had been necessary for them to save an equal amount out of their weekly wages during the year.”

(1919) Thomas V. Hodges, safety engineer, October 14:

“There have been no changes from the plan as outlined in 1916.”



## THE SOUTH NORWALK ELECTRIC WORKS.

## CONNECTICUT.

(1919) Albert E. Winchester, general superintendent, November 21:

"This is an undertaking engaged in the production and distribution of electrical energy for local industry, commercial, domestic and public needs. Therefore, by the very nature of its 24-hour service 365 days per year, which ebbs and flows by reason of weather conditions, season changes, irregular demands and otherwise, rather than by more artificial stimulation, its functions and the conditions that govern it are quite unlike those of the general manufacturing business that has a comparatively much larger number of skilled and unskilled employees. There is not the opportunity in such a public utility as this for its employees to speed up both demand and supply that there is in the usual manufacturing field. . . .

"In instances of extraordinary faithfulness to duty, at times of disaster and distress, we have given money tokens in testimony of our belief that good deeds should be rewarded. At one time we started to give a money bonus proportioned to the wages paid. At first we thought it was a joyful surprise to its recipients, but the next year the fact that it was expected as a right was impressed upon us, regardless of a decline of prosperity which was no secret; so the policy was dropped. Since then conditions have been just as good as before and the indiscriminate bonus has never been missed. If more pay is desired and deserved, if it can be afforded, it goes into the pay envelope and the one who gets it knows that he is believed to be worthy and is likely to live up to such belief, if he has the right stuff in him. . . . Whoever is willing to accept the proceeds of prosperity should take his turn at accepting less in the time of adversity."

E. D. STARBUCK & Co.

DRY GOODS AND CARPETS. SARATOGA SPRINGS, N. Y. 1914.

(1916) About 35 employees, not including officers of the company, share in a semi-annual profit distribution based upon wages and length of service. The announced intention

of the company was to give for the first six months of the year a bonus of 1% of the total sales, distributed according to salaries, and for the second six months a share in the profits, not determined in advance, but guaranteed to be not less than 1% of the sales. Only those who have been in the company's employ six months are eligible to participate. The president of the company considers the plan a success.

(1919) E. D. Starbuck, president, October 11:

"We had a bonus plan a few years ago, and it worked very well. However, when we got in the war and the government asked us to buy liberty bonds each of our employees wished to buy a bond, and we gave up the bonus plan and paid the amount of the probable receipt of the bonus every week—raised wages so the amount received would equal or exceed the semi-annual bonus system. This has been most satisfactory, and we are all well pleased with the change. Our force is only 36 in number and hardly a criterion for larger business."

#### STAR-PEERLESS WALL PAPER MILLS.

JOLIET, ILL. 1914.

(1916) All employees who have been in the continuous employ of the company for a period of 12 months, barring necessary and excusable absence, and barring the customary brief layoff during shutdown following sampling, receive a sum of money equivalent to 1% of the total amount paid them in compensation during the period named for each year of service with the company. That is to say, an employee of one year's service would receive 1% of his year's wages, one of two years' service 2%, and so on until a maximum of 10% for 10 years or more of service is reached.

All factory employees are included in the plan; but not salesmen, their compensation being based upon results secured.

Questions which may from time to time arise, such as reasonableness of an excuse for absence, length of time in service, etc., are submitted to a board of arbitration, composed of three members, one from the office, one from the superintendents, and one from the mill.

In outlining the plan to its employees the company said:



"It is an established fact that a spirit of hearty co-operation between employer and employee is productive of the best results in any business, not only to the employer but to the employee as well, for the success of the employee is as certainly dependent on the success of the enterprise as is the success of the employer.

"The cost of this reward of merit to the company will be a very considerable amount of money. The ability of the company to give you this money is dependent upon a maintenance of the success which it is at present achieving. Should this success diminish, the expenditure of this sum might be a hardship upon the company. For this reason we reserve the privilege of amending or entirely withdrawing the proposition, if circumstances at any time, in our judgment, render it advisable to do so."

(1919) Thomas F. Goodson, manager, September 2:

"The plan was discontinued by us about a year ago as it did not increase interest or efficiency and was considered as charity by some, and others felt it was used to prevent wage increases."

#### PAUL STEKETEE & SONS.

WHOLESALE DRY GOODS. GRAND RAPIDS, MICH. 1903.

(1916) A cash bonus is distributed to all employees who have been employed for five years continuously after taking the annual inventory. The amount of bonus is based on the actual salary they have received during the preceding year. The percentage is optional, depending on the profits made. The minimum amount paid thus far is 5%, and the maximum amount 10%. Every employee is included in the plan. Average number of employees is 220—of these 78 received a 10% bonus on January 20, 1916, for the year 1915.

The company reports:

"We are not entirely satisfied. We would like to find a satisfactory plan to reward efficiency and merit, as well as faithfulness. Our present one is not comprehensive enough and it permits many to have a bonus who are not really entitled to reward as much as others who are not included in our present plan. We heartily believe in the profit sharing plan, in which all who are entitled to it have a fair chance."

(1919) Harold A. Steketee writes, November 6, that the service bonus plan adopted by the company in 1905 is still in force, and affecting the rank and file of the employees. The favorable feeling toward the plan has been a means of modifying the tendency toward labor troubles, but it is not entirely a success for the reason that the employees are apt to think of the bonus as additional salary.

### JOHN B. STETSON COMPANY.

HAT MANUFACTURERS. PHILADELPHIA, PA. 1898.

(1916) The company has in effect several plans in the nature of extra compensation above regular wages. The plans have been changed somewhat from time to time to meet the special conditions of different departments, but in general they may be classified under three heads—a Christmas distribution, a bonus for continuous services, and a stock allotment plan. The Christmas gifts are made on the basis of the year's record of the employees, and consist of cash, commodities, building association stock, life insurance policies and common stock of the company.

The bonus for continuous service was originally 5% on annual wages for employees, in one department, who remained with the company a full year, but for the past eight years it has been 20% and applies to nearly all departments. During the first year of this plan about 30% of the employees in the department affected worked steadily through the year, while during the past seven years practically all the employees of the department, numbering 1,000, have earned the 20% bonus. The company states that this bonus has in no way affected the regular wages, which have been increased more than once since the beginning of the bonus system.

Since 1902 an annual allotment of stock has been made to deserving employees, at the discretion of the president. For this purpose 5,000 shares were set aside in charge of five trustees. Any stock allotted to an employee is held by these trustees for 15 years before final delivery. No payments toward its purchase are required of the employee, but the stock is credited with all dividends declared, less 5% per annum on the unpaid balances from year to year. The stock being allotted at par and the dividends being now at the rate



of 25%, the stock is fully paid for in about five years and thereafter the employee receives the full benefit of the annual dividends. If an employee so desires he may withdraw, for his personal use, one-third or less of the dividends applying to his stock in any one year instead of having the full amount credited toward its purchase.

Employees to whom stock is allotted are required to sign an agreement in which all the terms and conditions of the plan are set forth. The company reserves the absolute power to discharge an employee, with termination of all his rights under the agreement, except that he is paid in cash and not in stock the amount to his credit on the company's books. Where employment is terminated by physical or mental inability of an employee to perform his duties, however, the stock or cash held by the trustees to his credit is delivered to him, or in case of the death of an employee it is delivered to his personal representatives.

The stock has now a market value of about \$400 per share and the total allotment to employees thus far is worth approximately \$2,000,000. There are upward of 4,000 employees, of whom about 800 have been allotted stock under this plan.

Considerable publicity has been given to a strike affecting one department only of this company (March, 1916). Interest was keen because some of the men were stock owners. The impression that the dispute was due to the discharge of a man who tried to organize the employees is erroneous. Also it had no relation to the profit sharing plan.

(1919) Milton D. Gehris, second vice-president, November 21:

"Under what may be called our profit sharing plan may be included our building and loan association, our bonus system, our stock distribution plan and the latest group insurance.

Mr. Stetson organized the building and loan association about 40 years ago to assist his employees in securing their own homes. The shares of stock in the association are allotted to the men from year to year, the company paying the dues as long as the employee remains in our employ. Over 5,000 shares are being carried for the benefit of the employees at the present time. More than 700 have been assisted in securing their homes.

"Hatters used to be known as 'tramp hatters,' and they really lived up to their reputation. In 1897, the year we put our bonus plan into effect, only 35% of our hat sizers worked anywhere near steady. To overcome this Mr. Stetson offered to pay the men 5% on all they could earn for the year, payable to them at Christmas time, provided the men worked steady during the entire year. As a result 50% of the men worked that entire year. The result was so gratifying that the bonus was made 10% for the following year and 67% of the men worked during the entire year. In 1901 the bonus was raised to 15% and in 1903 to 20%, and that year for the first time 100% of the hat sizers remained in the employ of the company throughout the entire year. This result being so satisfactory, the bonus was applied also in our trimming department, where female help is employed, and it had the same effect of holding the employees on the job.

"About 10 years ago the plan was applied to the entire factory. There have been some revisions in the amount of bonus paid so as to equalize the earning power of the employees of the different departments, but the plan in effect to-day is that every expert workman receives 10% of the amount earned for the year, which amount is paid to him in one sum the day before Christmas. All non-expert workmen receive 5%.

"Eighteen years ago the company increased its capital stock and the board of directors asked permission from the stockholders to set aside 5,000 shares of common stock to be used by the president in rewarding faithful and efficient employees. This stock has been allotted without one cent of cost to the employee. The stock is paid for out of the accumulated dividends. There is a provision in the agreement allowing an employee to draw 5% of the dividends annually and allowing the balance of the dividend to accumulate to pay off the par value of the stock. As soon as the stock is paid for the employee receives the full amount of the dividend, but the stock is held in trust by five trustees for a period of 15 years. If the employee should leave or is discharged for cause during this period he receives only the par value of the stock accumulated. If an employee dies or is incapacitated, the stock is transferred to him or his estate. The par value of the stock is \$100 per share and the market value about \$350.



“On April 1 of this year we placed group insurance on the lives of all of our employees. As soon as an employee is in our service for three months he is given a policy for \$200. This amount is increased to \$400 at the end of six months and to \$500 at the end of the first year of service. After this \$100 per year is added until a maximum of \$1,000 is reached.”

A press dispatch from Philadelphia, December 24, says:

“Approximately 42,000 pounds of turkey and \$330,000 in bonuses and other awards were distributed to employees of the John B. Steison Company today. The annual Christmas exercises were tinged with a patriotic coloring. A bronze tablet, a memorial to workmen who died or served in the war, was unveiled.”

#### SAMUEL STEVENS COMPANY.

WHOLESALE GROCERS. COLUMBUS, OHIO. 1912.

(1916) A percentage of annual wages, equal to the rate of dividend on common stock, is paid at the end of the year to employees who have been in the service of the company continuously for 12 months. There are about 38 employees, of whom 20 participate at present. All employees of a year's standing are eligible, except the office and sales force. Employees who resign or are discharged forfeit all claim to a profit sharing dividend on the wages earned during the year in which they leave. In case of death of an employee, his estate receives the same percentage on the wages earned by him during the year as he received on his wages for the preceding year. The treasurer of the company says:

“We adopted the plan with the view to increasing the efficiency of our force by eliminating frequent changes and inducing greater interest in the business by prompt deliveries and caring for stock, and we have found the results very satisfactory.”

(1919) The company reports: “We have no profit sharing plan in operation.”

## JOHN TAYLOR DRY GOODS Co.

KANSAS CITY, MO.

(1919) F. M. Lee, manager, November 20:

"Profit sharing bonus plan adopted in 1916. All employees having been in service one year or more on the 31st of December share in that portion of the profits set aside for the bonus. Average number of employees, 625. Average number to share in bonus, 325. Plan is favored by employees. Possibly helped to lower labor turnover. It applies to all employees, except buyers, who receive a percentage of profits in their departments. It is successful to a limited extent. Profit sharing will not be fully successful until employees have an actual share in the stock of the company and share in the profits based on earnings of stock."

## THREE-IN-ONE OIL COMPANY.

RAHWAY, N. J. 1904.

(1916) A profit sharing bonus is paid to employees each year based on their individual annual earnings. In some years 5% has been paid; in others 6%. Beginning with 1913, an additional distribution of 4% has been made to those who have been with the company five years or more.

(1919) J. Noah H. Slee, president, October 14:

"Our plan of operation is to give the factory employees, just before Christmas, a percentage, which in the past has been 6%, of their annual wages or such time as they may have been in our employ during the year, and usually have an address made by some public man, and it creates an enormous amount of good feeling, at the time at least.

"A further fact is our old and regular employees are most loyal; whether it is due to the distribution we are unable to state, but we feel that they at least look forward to it and the receiving of a large amount of money at one time, which we regard as a dividend on their compensation, but the percentage is never taken into consideration as to the value of their services.

"We pay the highest rate of wages consistent with good management, and the percentage is, we think, fairly distributed because their wage represents their usefulness to the company and we style that as capital.



“We commenced this distribution in the year 1904 for three months of that calendar year and gave the employees 5%. In 1905 we paid them 5% for six months. In 1906 and 1907 we paid them 5% on the entire year. From the year 1908 to 1912, inclusive, we gave them 6% each year, and at the end of 1912 all those who had been in our employ five years were placed by us on what is known as our honor roll and given an additional 4% (making a total of 10%). From 1913 to 1916, inclusive, the same condition prevailed. In 1917 the heads of the various departments were given 10% and the balance of the employees 6%, but in place of giving them cash we distributed liberty bonds and thrift stamps. In 1918 we paid them 6% on the entire year.

“Our factory is almost entirely operated by unskilled work people—men, women, boys and girls—and we number in our employ about 60 to 70. Our factory is entirely operated by machinery. To produce the output by hand would require from 400 to 500 employees and five times the amount of floor space. Quite recently we have installed a bonus for those operating automatic machines if they produce over and above a certain number of packages. So far this seems to stimulate the production. We do not operate the factory on piece-work.

“Having only been established for 25 years, we pensioned two of our employees for faithful service, they being now absolutely incapacitated for work.”

#### TITLE GUARANTEE AND TRUST COMPANY.

NEW YORK.

(1919) The number of employees is about 1,400. During last year a new plan succeeded one of a different kind based somewhat on the profits of the company, but not entitling the profit sharers to a fixed proportion of those profits and applying only to about one-half of the employees.

By the new plan extra compensation is given because of the high cost of living. This is paid semi-annually, and ranges from \$1.50 to \$2 per week. An extra compensation based on profits is also awarded. A fund amounting to one-fourth of the annual net profits of the company is appropriated for the benefit of those in its service the full year.

The proportions are based on time of service and amount of salary.

TRACY LOAN AND TRUST COMPANY.

SALT LAKE CITY, UTAH. 1902.

(1916) A cash distribution is made at end of each year, according as each employee, in the opinion of the president, promotes the growth and development of the business and renders efficient service at each individual desk, and relieves and assists his or her superiors. The president keeps a record covering every three months throughout the year of the percentage of merits and demerits of each employee, "and no employee knows when he receives his check whether he is to receive one dollar or several hundred dollars."

The annual cash distributions have increased yearly from \$500 in 1902 to \$6,115 in 1913, and have been made in addition to a salary increase for every employee during that period. There are about 25 employees.

The president of the company considers the plan an unqualified success.

(1919) Russel L. Tracy, president, December 30:

"We still firmly believe in the wisdom of the individual merit plan of profit sharing, as explained in our former communication to you, and while this plan requires a closer observation by the president or manager of the work of each employee, yet we feel it develops individual initiative, enthusiasm and ambition much more than the step-by-step plan or any plan by which all of the employees, regardless of individual effort, profit in equal proportion if the business of the company is prosperous.

"We have about 30 employees and the plan applies to all excepting the president, the vice-president and all of the employees to the youngest typist sharing in the profits. Sometimes some of the employees who did not receive as much as they felt was due them have felt the president was mistaken in his estimate of their worth, but I am sure the heads of all of the departments believe in and approve of the plan, and we are more and more impressed with the justice of it and consider that profit sharing with employees is the last and most valuable step ever taken to modify and eliminate trouble



between capital and labor, and unless the banks and financial institutions recognize the rights of the employees to such an extent that they consider and watch their interests and actually perform the work of a walking delegate it will not be long before the clerks, stenographers and typists will be organized into a union and then demand, through their own walking delegates, more than they or their employees now think possible."

### TURNER CONSTRUCTION COMPANY.

NEW YORK.

(1919) H. C. Turner, president, December 11:

"We have what we call an 'additional compensation plan,' which applies to our office staff, including officers and heads of departments, under which in addition to receiving fixed salaries additional compensation is made payable to officers, heads of departments and employees of the office staff, based upon length of service, responsibility of position, character of work done and net profits. We also have a plan for additional compensation for superintendents and foremen on our construction jobs—likewise based upon length of service and efficiency with which the work coming under the individual direction of the superintendent and foremen may be done. All of these plans, however, are quite different from any general profit sharing plan which might be applied by corporations or firms to their employees generally.

"We have never established any system of profit sharing with our employees generally; that is, to include our workmen on our construction jobs. The problem of the construction company, where the character and location of the work is constantly shifting, and likewise a constantly shifting group of employees due to working first in one part of a city and then in another part or in outside towns and cities, differs from that of the manufacturer who has an established base of operation with a fairly steady group of workmen. Further, in building construction in this part of the country, the great bulk of the workmen are employed in accordance with terms of employment, including wages, established through trade agreements between employers' associations and labor unions.

"We regard our 'additional compensation plans,' as they have been applied during the past nine years, a success."

TWEEDY SILK MILLS, INC.

DANBURY, CONN. 1914.

(1916) A share in the profits, not determined in advance but varying according to net earnings from year to year, is distributed among the employees in proportion to their annual wages. The rate of this dividend on wages has been 10% during the two years since the plan was put in operation. The distribution affects all employees, including heads of departments.

(1919) E. T. Hoyt, treasurer, October 9:

"We have not had a profit sharing plan since 1916 as it did not prove satisfactory."

UNITED PAPERBOARD COMPANY.

NEW YORK.

(1919) Sidney Mitchell, president, November 13:

"We have tried profit sharing at various mills at various times. We have about 1,500 employees. Profit sharing has been the means of modifying a tendency toward labor troubles only when the profits are good. We have had it for heads of departments and have had it include the rank and file. We think it a failure; it only works one way. When profits decline, everybody is dissatisfied. Employees only seem to wish to be partners during prosperity.

"Our stock ownership plans have failed for lack of interest on the part of employees. Special distributions to heads of departments, I believe, have been beneficial. Our only successful plan so far has been bonus per ton of increased product of good quality, and this has a tendency to increase the man power. Personally, I feel that this bonus, with a similar bonus for efficiency production per hour per man, would be the best plan and one that we are figuring on."



## THE UNITED STATES PLAYING CARD COMPANY.

CINCINNATI, OHIO.

(1919) John Omwake, president, November 28:

"The premium plan was started in our company about ten years ago, first in one department, then another, until it took in all departments and now covers about 900 employees and amounts to 15% of the payroll annually. An average of several years' output of a department was taken as a basis of production for the weekly wage. A sliding scale premium, payable weekly, is paid for an increase over this production, the entire production to be of satisfactory quality. The basis for computing the premium, and the amount of premium, have been changed from time to time to meet changing conditions. Generally the amount of premium to be earned has been increased.

"We employ about 300 men and 600 girls. The feeling toward the plan is good and it benefits all our employees. The printing departments are union and do not participate in the premium. All other departments do. The foreman earns a premium on the total premium earned in his department. We regard the system a success and would not discontinue it. We have had no strikes."

## VONNEGUT HARDWARE COMPANY.

INDIANAPOLIS.

(1919) P. Vonnegut, November 21:

"We began in 1910 to pay a bonus, which has varied from 5% to 10% on salary earned. (One year 15%.) Number of employees now, 190. Little variation throughout the year. Feeling toward the plan, kindly. All but a few truly appreciative. Some (not openly) grumble, we learn. One, an old clerk, asked outright: "How do I know that this is a fair share?" He is still on the payroll.

"We are dealers and our labor troubles are different from those of the manufacturer. The war has spoiled boys and young men. They are not satisfied with wages commensurate with ability. We have difficulty in finding boys willing to begin at the bottom. Since May 24 forty-three young

men and boys have come in and gone again. High school graduates are not looking for jobs; they want positions.

"The bonus is paid to all who have been in the employ of the company for twelve months or more."

### WASHBURN-CROSBY COMPANY.

FLOUR MILLERS. MINNEAPOLIS, MINN. 1914.

(1916) The company gives those employees who have been in its service for one year a check for \$25 to start an account in a savings bank. At the end of the following year the company gives a check not exceeding \$25, equivalent to half the net increase in the employee's bank balance in excess of the original \$25.

About 625 men were eligible when the plan was introduced, and the company states that "a great many men started savings accounts with the \$25 and have continued to put additional funds in the bank since receiving the special checks. . . . Our whole desire is to encourage in a substantial manner those men who are efficient, loyal, responsible, and by their good work help to build our company along honorable, fair-minded and straight-forward lines."

(1919) F. G. Atkinson, vice-president, September 9:

"One of our largest competitors in years gone by inaugurated a profit sharing plan with his employees. Many difficulties arose, however, and the plan was finally dropped, not having proved successful, this largely owing to material variation in profits. The experience of our competitors deterred us from going into a similar scheme.

"In place of profit sharing, however, we have always paid the highest wages paid by any flour milling company in the world. Hence, for several decades, there has been no trouble in our plants. During the war we saw something was necessary in order to bring our men closer to us; hence we have established a working agreement with our employees, which so far has worked very satisfactorily. We also for years past have carried on in the plant what is known as the Washburn Mills Insurance Association. In addition, we have recently taken out group insurance covering everybody connected with the company, from the president down to the office boy, and the general superintendent at the mills down to the roughest



kind of labor. A person, to enjoy this group insurance, must be in our employ three months, at which time his beneficiaries are protected up to \$500. There is a graduated scale of benefits based on time of service up to two years, where the maximum amount is reached of \$2,000. Another feature we have introduced in lieu of profit sharing is the guaranteeing of all employees, who have been in our service three years or over three hundred working days in the year. All employees in good standing whether they work or not come in under that guarantee." (Pamphlets.)

WEINSTOCK, LUBIN & Co.

MERCANTILE ESTABLISHMENT. SACRAMENTO, CAL.

(1916) During the past twenty-five years or more the buyers or heads of departments in this store have been paid a dividend out of the net earnings of their several departments. It is based wholly upon the net profit of the department and not upon wages or length of service. The company considers it a successful method for enlisting the best efforts of the department heads, of whom there are about twenty.

WESTERN WHEELED SCRAPER COMPANY.

AURORA, ILL. 1911.

(1916) It is the policy of the company, when it has a prosperous year, earning a fair dividend for the stockholders, to make a distribution among all the employees who have been on the pay roll for a year or more, from the president down to the least important laborer, aggregating about 850 employees.

Three per cent on the annual salary of each employee was paid during the years 1911, 1912 and 1913. No distribution was made in 1914.

The company states: "We believe this distribution has helped to keep our employees on the roll permanently and prevented the frequent transfers of people among different manufacturers in this territory. Our employees are able to judge whether the volume of business is sufficient to earn dividends for the stockholders so that there was apparently no ill feeling when we were obliged to omit the distribution

in 1914 and do not expect that there will be this year (1915). On the whole, we are quite well satisfied with the results of this plan up to this time."

(1919) W. J. Bobb, president, December 1:

"The company has been in active business since 1877 and has never had any serious trouble with its employees and never any strikes. We employ between 600 and 700 men and have an open shop. We have no profit sharing plans except at the end of each year we have given all our employees 3% of their wages or salary, provided they have been in our employ for at least one year. This is in addition to their wages and salary as a reward for continuous service and has been in force for the last fifteen years. Our aim is to treat our employees well and pay them as high wages as other employees receive in like service in this section of the country and to arrange so that they can have steady work for the year.

"We encourage our men to save their wages and to own their own homes. Our experience is that the above method is the wisest and best where the number of employees is not too large to keep in personal touch with the men. I might add we aim to make all promotions from among our own men rather than to bring in new men from the outside for the more important positions."

#### WHITAKER-GLESSNER COMPANY.

OPEN HEARTH STEEL. WHEELING, W. VA.

(1919) Alex. Glass, chairman, November 19:

"In 1918 we introduced a profit sharing plan which was participated in by foremen, heads of departments and executives, 230 in all. We believe it has stimulated effort, created a better feeling and allayed some of the unrest that previously existed. The amount set aside for profit sharing is determined by the executive committee and is based on earnings. In making the distribution salary, length of service and general efficiency of the individual is taken into consideration."



## H. O. WILBUR &amp; SONS.

MANUFACTURERS OF CHOCOLATE AND COCOA. PHILADELPHIA,  
PA.

(1919) From a representative of the firm, November 15:

"We haven't any definite profit sharing plan, although for years it has been our practice to declare a wage bonus to all employees based on a percentage of their actual earnings during the year. These wage bonuses have run in percentage from 10% to 23% of the yearly wages. As far as we know the result has been satisfactory."

## WILLIAMS FOUNDRY AND MACHINE COMPANY.

AKRON, OHIO. 1912.

(1916) An appropriation is made each year for the purpose of paying a bonus to the employees. It is not a fixed percentage of the profits but a sum determined by the management according to what it believes can be afforded. At the last distribution in 1915, the sum of \$2,200 was divided, partly to those who had been with the company more than thirteen months, in proportion to length of service, and partly according to the number of hours worked during the preceding year, irrespective of earnings. Salaried foremen did not share in this distribution, but in 1915 they were given a cash present of \$40 each.

(1919) F. E. Holcomb, president, October 9:

"This company was organized in October, 1917, and since that time we have had no regular profit sharing plan. We place an extra compensation upon production, the same as heretofore. As for our opinion concerning same, we would hesitate to express it favorably inasmuch as the machinists of this city have been on a strike for the past seven weeks, with no cause whatever other than an attack of the fever which seems to be spreading all over the country."

## WIRE WHEEL CORPORATION OF AMERICA.

BUFFALO, N. Y.

(1919) F. L. Rowe, treasurer, October 13:

"The Wire Wheel Corporation of America purchased the

interests of the Houk Manufacturing Company in the early part of 1917. The late Mr. Houk had offered his employees a certain bonus to be paid at the end of 1917. This arrangement was carried out by the Wire Wheel Corporation and payment made to employees entitled to receive the bonus, at which time we notified all of our employees to the effect that the arrangement would be discontinued.

"In lieu of this bonus system, we presented each of our employees who had been in our employ three months prior to December, 1916, a life insurance certificate in the amount of \$1,000. The premium covering this certificate is paid by the corporation. We also present each of our new employees with a life insurance certificate upon completion of three months' employment. This is the only welfare work that is carried on at the present time."

"The employees seem to be very well pleased with the fact that their lives are insured and that in case of death their widows or families are protected in the amount of \$1,000. We make payment of the full sum as soon as the insurance company is satisfied that all necessary papers have been properly recorded."

#### H. R. WYLLIE CHINA COMPANY.

HUNTINGTON, W. VA.

H. R. Wyllie, president, November 12:

"I have not adopted any profit sharing plan among my employees, due to the fact that pottery workers have always been strongly organized and have been among the best paid employees in the country. Also, I operate almost entirely on a piece work basis. The only profit sharing or bonus plan that I have used is with the heads of my departments. That is, including office manager, sales manager and superintendent. My experience along the lines mentioned, has been a success."

#### YALE AND TOWNE MANUFACTURING COMPANY.

HARDWARE. STAMFORD, CONN.

(1916) A limited number of those holding responsible positions in the organization for a number of years received,



in addition to their stated salaries, a certain share of the profits in excess of interest on invested capital.

This plan, although regarded as a success, was discontinued because it was concluded that it would be better to have those men acquire stock holdings in the company, and this investment arrangement was put into operation in 1914. The stock is offered to them below the market price. This is regarded as a wise means of interesting more deeply in their work the heads of departments, to whom it is limited, not only for their own selfish ends but because it will bring about better results for the corporation as an entity.

Many years ago, the company adopted a system called by it gain sharing, under which certain groups of employees participated in the reduction of costs as they were effected (described in paper by Henry R. Towne, the President, on "Gain Sharing," in Vol. X, of the "Proceedings of the American Society of Mechanical Engineers," 1889). The plan was used successfully for several years but was replaced by methods of piece-work, or the Taylor system of scientific management, under which the workmen were rewarded for increased efficiency by increased compensation, according to the company's statement.

On March 3, 1916, the company announced that more than \$35,000 would be paid to the workmen in bonuses March 15, and a similar distribution in April. There are 5,500 employees at the local plant, to be affected by this distribution. This has no connection with the Taylor system of payment but is a gratuity or gift due to unusual conditions in the labor market.

(1919) John B. Milliken, treasurer, December 27:

"We have no profit sharing plan in effect at the present time. We had such a plan, applying to a very limited number of our more responsible employees, but discontinued it some years ago and have not since that time had any such plan in operation. Upon the discontinuance of the plan, the employees mentioned and a few others were given the opportunity to subscribe for substantial amounts of capital stock of the company upon very liberal terms, and our experience since that time has indicated that the move was a wise one."

## PRODUCTION BONUS.

What, judging from their reports, some employers regard as a legitimate subdivision of profit sharing is a production bonus. This is a possibility in manufacturing establishments in which the management can compare actual production by a given force in equal periods. This seems to be an increasingly favorite method of addition and division. In some branches of manufacture a measurement of the production can be applied by the employees themselves. There is in this case no need of going into such matters as bookkeeping, state of the market or other factors of management.

[The date (1916) indicates that the printed matter following appeared in the edition of this book for that year; (1919) or (1920) indicates the date of the new report. A date in a sub-heading indicates the year in which the experiment under notice began.]

### AMERICAN LOCOMOTIVE COMPANY.

#### NEW YORK.

(1919) Andrew Fletcher, president, November 10:

"We have no profit sharing system in our company. I am frank to say that I do not believe in it for the ordinary workmen or mechanics such as we employ. I, personally, believe that it is better to give them good weekly wages so that they will get their money or profit for their work every week. I do, however, believe in a bonus system based on tonnage or production for the producing heads of the various plants and for the executives of the company.

"Under the system that we have worked, that is to say, first class wages for our workmen and a bonus system for the heads of the various departments based on tonnage (which system we had working last year) we were enabled to produce the greatest tonnage in the history of the company notwithstanding the more or less scarcity of help and our not working to full capacity of our plants because of lack of labor."



## THE H. BLACK COMPANY.

COATS, SUITS, SKIRTS. CLEVELAND.

(1919) Hugh Fullerton, November 12:

"We have no profit sharing plans in operation in our factory, save only an efficiency payment which is based on the productive work of each individual. We price our merchandise on an estimated standard of production, and the worker who exceeds the standard pays an increased profit on his labor. We split that profit with him at that point."

## CITIZENS' TRUST COMPANY.

UTICA, N. Y.

(1916) At the end of each year the employees are paid a bonus on their annual salaries, the rate depending upon the amount of net earnings for the season. When the earnings are from \$50,000 to \$60,000 the bonus is 5% on salaries, and the rate increases by 1% for each additional \$10,000 of earnings, the maximum being 10% when the year's business yields \$100,000 or more.

The employees do not know until the year is over what the bonus rate is to be, and the company finds that this serves as an incentive to get in new business and increase the net profits of the bank, with very satisfactory results.

(1919) The special distribution or bonus plan of this company was based upon an effort to make the distribution of the profits in accordance with the earnings. In actual practice, however, it worked out as a straight bonus of 10%. This year a change was made in the method of computation on the theory that the employees receive their full compensation for the work in the payroll; deduction of an amount equal to 6% of the capital and surplus (before deduction of dividends) provides for the wages of capital. It was felt that in the banking business at least 50% of the profits should go to the surplus, and that the other 50% might be divided between "capital" and "labor," so that 25% of the balance of the fund is set aside as a profit sharing fund. This 25% is distributed to all members of the staff, officers and employees alike, on the basis of their salary received by them during the current year. In the event, however, that the

amount is insufficient to pay all alike in the sum of 10%, the elected officers do not share until the others have received at least 10% of their annual regular compensation. This profit sharing plan simply means that of each dollar of extra earnings that is made for the company or each dollar that is saved for the company the members of the staff receive 25 cents.

### CONSOLIDATED GAS COMPANY OF NEW JERSEY.

LONG BRANCH, N. J. 1911-1914.

(1916) The plan applied to the water gas makers. It consisted of a monthly cash payment and was based on the results obtained in the operation of the water gas machines. Three items were considered—the quality of coal used, the quantity of oil required and the time per unit of gas made of standard quality.

This is a bonus plan and not profit sharing. It is interesting in indicating how there may be a proper adjustment of piece-work rates in this industry.

The company states that the system was very satisfactory for some time and that the results obtained through it were wonderful.

“We regard it as having been a great success. At the time it was inaugurated the standard was low. The men on the machine did not know what results could be obtained and were satisfied with those they were getting. They are of a class of men who take pride in doing good work and all that was required was to get them started along the right track, and that certainly has been accomplished by the bonus system. It is now nearly a year since we abandoned the bonus system and we have seen no noticeable falling off in the results. We are paying the men a much higher wage than formerly, in fact a very much higher wage than is prevalent among men of that grade in this section of the country. We did this because we felt that the men would be apt to go back and lose the incentive that they formerly had if the bonus was removed and nothing was done to make up for it.

“We contemplate a bonus similar to this in other departments. We do not plan on making it permanent but will announce it as a temporary bonus to be paid for a period of one year or so, and if at the end of the initial period it has not served its purpose it may be extended. If it has served its purpose and we are satisfied with the



results we will discontinue it but pay the men a wage in keeping with their increased efficiency."

The company states the reasons for abandoning the plan as follows:

"The system was abandoned for several reasons, principally because the bonus grew to such an extent that it was causing dissatisfaction among all the men in our employ who were not receiving a share of it. The gas makers were drawing larger wages than the foremen and some of the superintendents who supposedly had very much better positions with the company.

"Another reason was that the gas meter which measured the output and upon which the bonus was based got out of order and for a while it was necessary to estimate our output. This made the computation of the bonus a very difficult if not altogether an impossible thing.

"Another reason for abandoning it was that the results were not dependent altogether upon the efforts of the men themselves, the quality of materials furnished, weather conditions and various other items over which they had no control playing at times a more important part than the men themselves.

### CURTIS, TOWLE & PAINE COMPANY

WOODWORK. LINCOLN, NEB.

(1919) C. B. Towle, vice-president, November 21:

"We do not operate any regular profit sharing plan. We are, however, putting into effect the Leitch plan, which provides for payment to the men of half of the savings due to economies and decreased overhead which in our opinion is preferable to any straight profit sharing. About 250 employees will participate. The date of instalation was November 1, 1919. This includes every one in the organization except the executive officers. It has not been in operation sufficiently long for us to pass upon its success."

### FOLLANSBEE BROTHERS COMPANY.

PITTSBURGH.

(1919) William U. Follansbee, president, November 17:

"This company was incorporated in 1894 and succeeded

to an old established business, which the writer entered as an invoice clerk 40 years ago at a wage of \$6 per week. The present plant is located at the town of Follansbee, Brooke County, West Virginia, and consists of open hearth steel furnaces, sheet steel and tin plate mills. The sales exceed \$10,000,000 per annum to about 6,000 customers scattered over a large portion of this country, with a number in foreign countries. Branch offices and warehouses are conducted in principal cities and the total number of employees aggregates about 1,400.

"We consider what we are doing is primarily 'additional compensation.' It becomes applicable only after a fixed volume of earnings is shown stockholders by cash dividends and additions to surplus. This additional compensation, beginning with the president of the company, is given only to 'experienced and trained executives, heads of departments, superintendents, foremen, especially efficient workmen, branch managers, etc.' The plan was initiated in 1910 and 33 participated. It has continued up to the present time, the maximum number, 65, participating in 1917. Because of the combined condition of considerably decreased profits at the time of materially increased salaries for the year 1918, the number participating was reduced to 20.

"The plan has proved an unqualified success in maintaining a high morale among heads of departments, superintendents, foremen, etc. It is this factor which we are fully assured is the prime essential to the entire question of labor troubles. We are sure the greater proportion of labor troubles are occasioned by 'management.'

"In support of our opinion and experience, we may advise we have never had a strike. During the recent 'anarchy' in the steel business, our plant has operated 100% and the production during the month of October was next to the highest in our history. This notwithstanding the fact that immediately across the Ohio River the United States Steel Corporation's plant at Mingo, Ohio and the LaBelle Iron Works plant at Steubenville, Ohio, have not turned a wheel since September 22, as is also the case with the LaBelle Iron Works plant immediately adjoining the town of Follansbee, while at other industrial towns a few miles from our location the plants have either been shut down entirely or



have operated to a limited extent through the protection afforded by state constabulary, etc.

"We attribute our freedom from labor troubles to the following: To an ideal manufacturing town, paved and sewerred streets, water and natural gas facilities, seven churches, three exceptional school buildings with an additional one projected for the coming year, public playgrounds and bathing beach, with, the most influential factor, never a saloon in the town of Follansbee, this notwithstanding our plant was in operation for many years prior to the state becoming dry. With a population of 3,000 the town has required but one policeman.

"The homes are of an exceptional character and as a rule owned by the occupants. By the easy payment plan of 10% a month as conducted by the company the employees subscribed and have almost finished paying for \$900,000 government bonds. Our timekeeper states that practically all employees who voluntarily leave, taking positions elsewhere, return and seek their old jobs with the company.

"It is the policy of the company in every way to avoid paternalism. The town government is practically in the hands of the workingmen. Full consideration is given to advantageous working conditions such as fresh water throughout the plant, water cooled standings and cool air piping system to relieve the heat of summer, etc.

"The plant has always operated under the union scale of the Amalgamated Association of Iron, Steel and Tin Workers, which has covered about one-half of the employees, the other half being non-union. Union men have always lived up to their agreements with us in every particular.

"We have taken the liberty of giving this rather lengthy outline, because we believe a great deal of the present labor unrest has been occasioned by too much talk, particularly on the part of college professors, preachers, politicians, and other theorists who have had no experience and know little or nothing respecting the handling of men.

"We do not believe in any distribution of profits, stock ownership plans or participation in management on the part of the men, and we do not believe the true American workman is speaking for any of these features. What he is after is reasonably steady employment, a fair wage, fair hours and

good living conditions. In our opinion there is absolutely nothing to the entire labor problem than the principle of the square deal participated in by both management and workmen.

"The best mention we have seen, and with which we wholly agree, has come from Mr. Dorr E. Felt, a large manufacturer employing hundreds of men, as covered by the pamphlet 'College Made Utopias and Labor Unrest.' "

#### GARFIELD WORSTED MILLS.

GARFIELD, N. J.

(1919) Wm. M. Kennard, November 15:

"The management has for some time past followed the bonus system, this seeming in their judgment to be the best adopted to the conditions under which the mill operates. The employees are largely of the foreign element and float about quite a little, and the bonus system admits of recompensing them under these conditions, probably better than the profit-sharing system would."

#### GRAND RAPIDS VENEER WORKS.

GRAND RAPIDS, MICH.

(1919) Thomas D. Perry, vice-president and manager, November 24:

"We have 205 employees, of whom 170 are in our factory. We have a bonus plan effective in the factory, the basis of which is to give to the employees any excess earnings they produce; i. e., if a man can build, glue and cut 1,000 square feet normally in nine hours, receiving 40 cents per hour, or \$3.60 a day, and he should increase this amount to 1,500 square feet in a day of nine hours, we would give him a bonus of \$1.80 for the day.

"At the present time we confess that the impetus imparted to the men by this plan is not sufficient to make it very attractive. We think it is largely because we have not used the method long enough to know the differentials required in the different lines of work we produce. We believe our endeavors to give the men this bonus are producing a better feeling between the employer and the employee.



"We have another profit sharing method applied to the department heads, whereby a certain sum over and above the running expenses, depreciations, and 7% on invested capital is divided in two funds, one for the stockholders and one for the department heads, and this is divided at the end of the year in the ratio of the salary of the department heads. This latter scheme is a success."

### HAMMOND TYPEWRITER COMPANY.

NEW YORK.

(1916) For some years prior to the European war the company paid each employee a quarterly gratuity, the amount of which was based on length of service: for three months' service 50% of one week's salary, for six months' service 55%, increasing at the rate of 5% for each additional three months' service up to five years, when an employee received the equivalent of a full week's salary.

In describing the plan the company states that these gratuities were colloquially called "dividends" and were paid whether the company made a profit or not, "and so actually they were not profit shares at all."

Regarding the success of the plan the company says:

"About the only difficulty we had with the system was that many of the employees ceased to regard the payments as gratuities and thought of them as vested rights, with the result that they resented the suspension of the payments. If the payments had been suspended at any time other than in a business crisis, we are inclined to believe that there would have been troublesome dissatisfaction. In other words, the payments so completely lacked the character of actual profit sharing that in the eyes of the employees the fact that the company was making no profits would not have been regarded by the employees as a sufficient reason for suspending any payment."

In consequence of the shutting off of export business by the European war, the company has temporarily suspended these gratuities, but expects to resume them when business warrants.

(1919) N. D. Becker, president, October 4:

"Our special distribution plan, described by you in 1916, was discontinued about five years ago and has not been re-

sumed. We have not yet substituted any other similar plan applicable to the whole business, but have been working along the lines of rewarding increased efficiency by a division of the cost of manufacture saved. For example: A certain unit was being manufactured at a labor cost of 33 cents apiece. We agreed with the workers in the department that if they by increased efficiency would reduce the cost of manufacture the company would divide the saving with them half and half. The result has been that the labor cost per unit has fallen to 23 cents, and the earnings of the employees in the department have been substantially increased.

"We are endeavoring to apply this principle in all the departments of our factory as fast as it is applicable. The result of our experience with the former system of out-and-out bonus and with the present system of making the employee earn his increased reward by increased efficiency has been to convince us that the straight bonus plan is a failure, whereas the increased efficiency plan, as far as it is applicable, is a success."

### THE SEATTLE TIMES.

SEATTLE, WASH.

(1919) A. G. Bixby, assistant to the publishers, October 1:

"For some time the publisher of the Seattle 'Times' has intimated his desire to establish a profit sharing plan, if such a plan could be devised to fit the publishing business. We are a daily and Sunday newspaper, employing about 350 persons all told, of which about one-half are members of organized labor. We are now paying over and above our contract wages what we call an efficiency dividend. This dividend, starting at 75 cents per day per man, in September, will be \$1 per day per man during October, and may work up to \$1.25 per day per man through November and December, should business conditions and efficiency warrant it. Now, this plan merely cares for organized labor in those branches which particularly appertain to the getting out of the newspaper, and leaves our unorganized employees in a rather unenviable situation."



## WEIR FROG COMPANY.

CINCINNATI.

(1919) O. De G. Vanderbilt, Jr., president, November 11:

"Our plan, which is still in force, was started August 3, 1917. There were 225 employees in our employ at that time. This profit sharing plan is based on the monthly tonnage produced. This tonnage is posted daily and accumulated monthly on a board in the shop, and the employees seem to have considerable interest in it, as they begin to get a percentage on their monthly wages as a bonus when the tonnage goes over a certain mark. It is like watching a baseball scoreboard. Formerly the employees never knew what the production of the shop was; now they know and can see daily, and they seem to be considerably interested in it, which is, of course, a good thing.

"We have an open shop and have had no labor troubles, but we do not ascribe this to our profit sharing plan, but rather to the fact that we maintain personal contact with our employees and confer with them personally and individually at intervals and discuss openly with them all questions and try to treat them always fairly and openly.

"Every employee in the company, from the janitor up, participates in this bonus system, with the exception of the executives, who are on a bonus dependent on the profits of the company. We believe this is successful enough to continue it."

## STOCK OWNERSHIP PLANS.

There are several types of plans for giving employees also the status of stockholders through advantageous terms, offered them by the company by which they are employed. By one plan, the employees may obtain stock on instalments at less than the current market price, the company charging interest on unpaid balances and crediting dividends on the purchase account. By another plan, the employees receive a bonus if they do not sell the stock or leave the service of the company for a given term of years. By another, employees may pay partly in cash and partly through special credits accorded them by the company. By yet another plan, the employees make no payment, the stock being credited to their accounts and held for a prescribed time before it is given them outright. In the case of certain stock ownership plans, there is no actual profit distribution nor any expense incurred on the part of the company other than in the bookkeeping that records the receipts and credits of part payments. Types of the various plans follow:

[The date (1916) indicates that the printed matter following appeared in the edition of this book for that year; (1919) or (1920) indicates the date of the new report. A date in a sub-heading indicates the year in which the experiment under notice began.]

### AMERICAN LIGHT AND TRACTION COMPANY.

(See Percentage of Profits.)

### AMERICAN SUGAR REFINING COMPANY.

NEW YORK.

(1919) The company reports that its stock purchasing plan was inaugurated January 1, 1919. Partial payments may be made in amounts of \$5 or multiples thereof for each share. Full payment for five shares of stock or less must be made within two years after application, for more than five shares within three years.



## AMERICAN TELEPHONE AND TELEGRAPH COMPANY.

NEW YORK. 1915.

(1916) Shares of stock of the company are sold at \$110 per share to any employee who has been for two years in the service of the company or of any subsidiary company which accepts the plan. Employees may purchase one share for each \$300 of wages, but in no case may they purchase more than ten shares. Payments must be made at the rate of \$2 per share per month, which is deducted from wages. Interest at 4% is charged on unpaid balances, while the dividends (which have averaged 8%) are credited as payments on the stock.

No employee may alienate or pledge his stock until it is fully paid for. If one leaves the company's employ his purchase-agreement is cancelled and the net amount paid in is returned; provided that if he leaves after March 1, 1917, he may, if he chooses, pay the balance due on his stock and take it up. The same course is followed with respect to the heirs of employees who die in the company's service.

Over 30,000 employees have purchased and are paying for more than 100,000 shares of stock.

(1919) J. D. Ellsworth, September 20:

"Our stock ownership plan remains in force. There are about 13,000 employees who are paying for their allotment of stock in easy payments, and about 22,000 stockholders who have obtained their stock by this method. We have no means of knowing whether all those who obtained their stock by this method are still employees, but it is safe to say that there are approximately 35,000 employees who at the beginning of the year either had paid up for their stock or were paying up for it in accordance with this plan."

## ATLAS POWDER COMPANY.

EXPLOSIVES. WILMINGTON, DEL. 1913.

(1916) Employees who have been in the service of the company at least two years who contribute in an unusual degree to the welfare of the company by their inventions, ability, industry or loyalty, and whom, in the opinion of the directors, it is desirable to have interested in the business as stock-

holders, are granted a bonus consisting of stock of the company, the amount of which is determined by the directors and shall not in any one year be greater than one-half of the annual salary of the employee to whom the award is made. The certificate for the number of shares thus allotted is not delivered to the employee but is held by the bonus trustee together with a power of attorney transferring the employee's interest in the stock of the company. The certificate and power of attorney are held for six years, at the expiration of which time the stock is delivered to the employee and the power of attorney cancelled. If the employee leaves or is dismissed from the service of the company, he is entitled to receive only that proportion of the stock which the elapsed portion of the six years bears to the full period of six years, and the proportion which the employee is entitled to receive may be purchased by the company at par. Beneficiaries receive all dividends declared on the stock allotted to them.

In addition to the stock distribution, employees who do their work in a careful, workmanlike and satisfactory manner, obey orders and carefully observe the rules and who have been in the continual service for at least two years, receive a monthly cash payment in addition to wages, as follows: Continuous service for two years, 5% of regular pay; for five years, 10%; for ten years, 15%; for fifteen years, 20%.

There is also a stock subscription plan, adopted in 1915. Employees may subscribe for stock of the company at par, the total amount of the subscription depending upon their salaries, *i. e.*, employees receiving an annual salary of \$1,000 or less, 20% of salary; over \$1,000 and not over \$2,000, 15%; over \$2,000 and not over \$5,000, 10%; over \$5,000, 8%. Stock may be paid for outright or in monthly installments at not less than \$2 per share per month, deducted from salaries or wages. Subscribers receive all dividends and are charged 5% on unpaid balances. Employees who have paid for their stock and who retain it and remain in the company's employ, will receive a bonus of \$2 per share for five years.

In 1913, 87 employees were stockholders, constituting 11.5% of the total number of stockholders, and in 1914, 173 employees held stock, constituting 21.5% of the total number of stockholders.



(1919) The company's assistant treasurer reports, September 16:

"This company has in effect at this time the following beneficiary or profit sharing schemes: Bonus plan, service wage plan, pension plan, stock subscription plan for the year 1919.

"With regard to the bonus plan, out of approximately 2,500 employees on the salary roll and payroll of the company during the latter part of 1918, 295, or approximately 11.80%, participated in the awards for results accomplished over the year 1918. The service wage, pension and stock subscription plans are, we think, self explanatory, and need no special comment.

"In addition to the above mentioned schemes, there is being paid to salaried employees, the following rates of emergency pay:

- 35% on the first \$100 flat salary or fraction.
- 30% on the second \$100 flat salary or fraction.
- 25% on the third \$100 flat salary or fraction.
- 22% on that portion of flat salary in excess of \$300.

"For example, an employee with a flat salary of \$350 per month is receiving in addition an amount of \$101 'emergency pay,' or a total compensation of \$451 per month. We might state that this 'emergency pay' is strictly an emergency provision and is subject to discontinuance by the board of directors in whole or in part at any time.

"With regard to the payroll employees, at some points an adjustment has been made in wage rates and the emergency pay discontinued; at other points the emergency rates have been scaled slightly downward, and at others it still applies.

"It is the feeling of the officers of this company that its beneficiary or profit sharing schemes have had the effect of increasing materially the efficiency of its employees and that they have been influential in establishing harmonious relations to a very gratifying extent as regards both company and employees."

The company issues booklets describing its plans.

## BAKER MANUFACTURING COMPANY.

WINDMILLS, PUMPS, CYLINDERS, TANKS, GASOLINE ENGINES,  
FEED GRINDERS, PUMP JACKS. EVANSVILLE, WIS. 1899.

(1916) The net profits of the company, after certain specified payments are made therefrom, are divided between the preferred stock and the "honorary" employees in the proportion that 5% on said stock bears to the wages of the employees. The honorary employees are those who have been in the service of the company 4,500 hours during 100 consecutive weeks. They are supposed to receive the prevailing rates of wages as a partial remuneration, and the extra payment out of profits is termed the "remaining wage."

The sum available for this extra payment to preferred stock and honorary employees is whatever remains of the net profits after a 5% dividend has been paid on both preferred and common stock, \$5 paid into a stock purchasing fund for every share of stock on deposit with the company, and 10% of the balance added to the sinking fund. The company agrees to purchase an employee's stock whenever the owner requests it if there is money in the stock purchasing fund to purchase with. The distribution to employees is 90% in common stock and 10% in cash. The company requires all employees to deposit their common stock with it, giving the company the first opportunity of purchasing should they want to sell, as well as the right to purchase the stock at the market price if the owner enters the employ of a competitor.

The president of the company states:

"In establishing profit sharing, it was our idea first to return to capital substantially the same earnings that past experience had shown it could earn, and to offer to employees the increase in earnings that they could effect.

"A 10% increase in the output of employees is more than a 10% increased earning, as the fixed charge does not increase in proportion to the output of the employees. An employee who is using his head to increase his production in every way possible, as a rule, requires little or no additional room to work in and less of a foreman's time. In other words, an employee who is interested is producing more with less overhead and he brings the overhead percentage down. This results in a larger increase in earning than in actual production.



“Another point in favor of profit sharing is that it makes capital much more secure. It is an almost positive preventive of strikes. It increases the length of time that a man will stay in your employ and, as a rule, his efficiency increases with his years of service, and it certainly lessens the ill-will between the management and employees and between the foremen and employees.

“Of course, we do not regard our plan as unqualifiedly a success but it has operated, in most respects, satisfactorily.”

In May, 1914, the company employed 119 men, 70% of whom are stockholders. During the past sixteen years the company states that the plan has resulted in adding from 28% to 120% to the wages of the stockholding employees.

(1919) John S. Baker, president, September 4:

“The stock ownership plan described in 1916 is still in force, with good results. Of the 150 employees of this company, about 100 participate. Their feeling toward it is good. There have been no labor troubles. The plan includes all employees at the factory.

“I would cut out that part of our by-laws pertaining to purchase of retired employees’ stock in instalments, make all stock purchasable at the death of the employee, pay none of the remaining wages in cash, and offer a cash bonus in each department figured and announced monthly, but paid in the fall.” (Booklets, for information.)

#### BELLE CITY MALLEABLE IRON COMPANY.

RACINE, WIS. 1913.

(1916) This is a stock participation plan, introduced very largely with the motive of encouraging thrift among the employees. It applies to heads of departments and the rank and file. Within ten days of the original offer, \$60,000 worth of preferred stock had been subscribed for, or about double the amount the company had expected would be taken up within the first three months. Nearly one-third of the employees joined in the subscription and among these were about one-fourth of all the Hungarians and Italians, respectively, in the company’s employ. John A. Chapman, the company’s agent, makes the comment: “It made quite a dif-

ference in one's feeling in going through the plant to know that every third man had an interest as a stockholder in the company, in addition to his daily wage."

The company agreed to pay employees who took this 6% stock an extra 2% dividend on the stock subscribed for, during a period of five years. Payment was made for the stock at the rate of \$1.50 per month per share and interest charged on deferred payments at the rate of 5%, so that the stock received a net credit of 3% per annum during the five years.

The \$1.50 per month, plus the dividends and extra credit over the interest rate, would pay for the stock in a little less than five years. Employees who resign are not required to sell their stock back to the company, and the plan is practically without coercive reservations. Such reservations, in the opinion of the same representative, "frequently seem to vitiate a great deal of the good that such a plan is capable of developing in the men."

This representative states further that he has talked with more than forty different railroad employees, all union men, and, with one exception, "all were of the opinion that such a plan as has been put into operation by the Belle City Malleable Iron Company would provide an opportunity for the men to place their savings in the business in which they are working and with which they are familiar and would prove an incentive for them to save." One street car conductor is quoted to the effect that "so many of the men, immediately after pay day, spend their money for drink and if something could be done to interest them in saving and applying against the purchase of stock it would be a great benefit to them and their families."

The company regards the plan as entirely successful.

(1919) Judson F. Stone, president, writes, November 17:

"For several years, until a few months ago, we had in operation a plan for the sale to employees of preferred stock of the company, carrying a bonus as long as the holder remained in its employ. This plan worked out very satisfactorily, but the stock was called in for other reasons, and we now have under consideration another issue of preferred stock, of somewhat different terms, a part of which will probably be offered for subscription to employees.



"We also have in operation a profit sharing plan which is participated in by officers and foremen, which we feel is very satisfactory to all concerned. The profit sharing plan is participated in by about fifteen people, who are all highly in favor it. We have not at present any profit sharing plan which includes the common laborer.

"Owing to the very unusual conditions which have existed during the last few years, it is hard to estimate just what the effect of these plans have been, but we do feel that our shop foremen are particularly loyal to our organization."

### BOSTON CONSOLIDATED GAS COMPANY.

(See Percentage of Profits.)

### BUILDERS' IRON FOUNDRY.

PROVIDENCE, R. I.

(1916) This company has in effect a plan whereby officers and leading employees may purchase debenture certificates in the nature of profit sharing. Interest is paid on these certificates at the same rate as the dividends on the company's stock, but not less than 6% in any event. Payment for the certificates is made in part by the subscribers and in part by contributions by the company, after the first two years, in proportion to the annual increase in its surplus. The subscriber acquires no rights as a partner or stockholder nor does he become liable for any debts or obligations of the company.

An officer of the company states that he has at times considered the idea of allowing the employees to appoint a representative to be consulted by the directors in regard to matters chiefly affected by the attitude of the men, but that this has not been done because of the following practical disadvantages:

"The man oftentimes does not appreciate that what is shown him should be confidential, and he sometimes feels it his duty to report to the men, and they feel they have the right to question him minutely about everything. They are soon, if anything, more suspicious of him than of us. He also is apt to be a man unacquainted with business and inclined to think profits are very much larger than they really are and that he is being deceived. If it is a union shop there is danger that he is really appointed

by the union and that whatever he does may be a move in play for business if nothing more on their part. We have tried, as a rule, to make the foremen feel that they must represent the men in all conferences with us, and we have endeavored to make the men feel that the foremen do so act."

(1919) Z. Chafee, for the company, November 11:

"Our co-operative debenture plan has been in use since 1911, chiefly with the leading men of the concern and those among the older ones who are closely identified with the corporation. We believe that all are enthusiastic in favor of the plan. The co-operative debenture holders vote upon those who shall or shall not be included among their number. They consider the rate of dividend that the circumstances warrant to be paid to the stockholders, and they vote upon matters of general policy in the same manner as though they were stockholders. At times they and the stockholders have joint meetings.

"The savings debenture plan is comparatively new and we have not pushed it as we did not in any way wish to interfere with liberty loan or thrift stamp campaigns. The holders of savings debentures with others in our employ are members of our economic club. The interest of this club is developing and we think it will be helpful to all concerned. The chief desire of both plans is to establish a feeling of partnership and develop the thought that all of us should work and want to work for each other, and that none of us can profit in the long run unless all do their best for the common objective.

"No plan can be described as an unqualified success, and we are not among those who make the mistake of believing that any plan is a panacea. The real thing about any establishment, as we see it, is for every one to feel himself to be inspired to feel that his job is worth while and that all have the opportunity of working together for the common good. We believe that loyalty on the part of the foremen and managers can do more good than any plan of so-called 'profit sharing,' but some plans undoubtedly are helpful. We like our own, as it makes the men more definitely partners than do some of the other plans that we have considered."

The amount of the savings debenture certificate is repaid on the 15th of March, June, September or December, on 10



days' notice at the pleasure of the Builders' Iron Foundry, or on 30 days' notice given the company by the holder thereof. While the debenture is outstanding interest on the amount is paid by the company at the rate of 6% per annum, or, during each year, at such higher rate as is equivalent to the rate earned during that year on its invested capital by the Builders' Iron Foundry, after paying all taxes.

CANADA CEMENT COMPANY, LIMITED.

MONTREAL, P. Q.

(1919) S. R. Dobb, comptroller, December 23:

"On April 1, 1916, this company formulated a plan whereby its employees were given an opportunity of becoming shareholders in the company under what are considered very favorable conditions. The first allotment of stock was made on April 1, 1916, and was confined to heads of departments and plant superintendents, which included a total of 21 employees. The second allotment was made December 1, 1918, which included 59 employees, in which number we endeavored to include members of the office staff and foremen at the plants, in addition to the heads of departments and superintendents. A further allotment was made in June, 1919, which included 157 employees and in which number we endeavored to include all employees whose services we wished to retain irrespective of their positions. Since the inauguration of the employees' stock distribution plan, stock has been allotted to 237 employees, and of this number 21 have left our employ thereby cancelling their subscriptions.

"At the time that the plan was drawn up it was intended to make it more general, but owing to the outbreak of war and other conditions affecting the industry we have not given it the scope which we intended. We believe that those who have been allotted stock appreciate the benefits they derive, and since its inception we have had no serious labor troubles, but we do not believe that this is altogether due to the employees stock distribution plan."

The company describes its allotments of stock instalment methods, etc., in a printed circular.

## THE CLEVELAND WORSTED MILLS COMPANY.

CLEVELAND, OHIO.

(1919) O. M. Stafford, president, November 12:

"We have tried the bonus system, we have tried the premium system, and various other methods, and our experience convinces us that none of these have proved effective or have accomplished the purposes intended, the feeling of our employees being that they should have had the bonus or the premium in their wages week by week, in other words that they earned it and we should have given it to them.

"We have discussed many other plans. The one most carefully considered until the adoption of the stock plan was to treat the yearly wages of each employee as his invested capital in the company and at the end of the year to pay him in money the same rate of dividend on his wages as the stockholders receive on their stock. We made diligent inquiry about this plan and found that it had been in operation but the success was problematical.

"Several years ago when we had an increase of the authorized capital stock, the stockholders unanimously set aside a certain amount of the stock, to be sold to such of our employees who seemed worthy and interested, at par, with a minimum initial payment of 5% and then at least the amount of the dividends to be applied on the principal year by year, the rate of interest being 5%. At first not many were interested but within the last two years the interest has greatly increased until now we have hundreds of our employees as owners of the stock and more are applying month by month. They pay for the stock and thus realize its value. We find that their interest is a great benefit to the company in many ways. We shall continue this plan as we believe it to be the only system or method that seems to meet the very human elements involved."

## COMMONWEALTH EDISON COMPANY.

CHICAGO, ILL.

(1916) Any employee who has been in the service of the company for one year may make subscriptions of 3% or 5% of his salary to a savings fund, and the amount depos-



ited by him will draw interest at the rate of 6% compounded. Payments must be made within four days after each pay day. At the end of five years the employee has the option either of taking out his deposits with accrued interest or taking it in the form of stock at \$120 per share.

The stock nearly always sells above this figure and almost invariably the employees take out their savings in this form. If a subscriber leaves the company's service, or is discharged, or wishes to discontinue his subscription, the amount he has paid in is refunded, with interest. The company reports: "We regard it unqualifiedly as a success."

(1919) William A. Fox, vice-president, October 21:

"Under our plan any employee who has been in the service of the company one year or more may deposit at his option either 3 or 5% of his salary, on which he will be credited 6% interest compounded semi-annually. At the end of a five-year period he may at his option either draw out in cash the sum so credited to his account or he may convert same into stock of the company at par, \$100 per share. In view of the fact that the stock has averaged in years past anywhere up to \$130 or \$140 per share, this option has proved a very valuable one to the employees. The plan has been in force for something over ten years and has been very satisfactory.

"We also have a service annuity plan in operation, which we think gives very good satisfaction."

The provision for this feature of the company's plans reads:

"The service annuity for each employee retired under this service annuity system shall be computed for any year as follows: For each year of service  $1\frac{1}{2}\%$  of the average annual pay of such employee during the particular consecutive five years of service when such employee's average pay was highest, excepting that the service annuity for each employee retired after a continuous period of service commencing prior to November 1, 1913, shall be computed for any year as follows: For each year of service, 2% of the average annual pay of such employee during the particular consecutive five years of service when such employee's average pay was highest. The service annuity committee may, however, in exceptional cases of service, increase the service annuity of an employee retired with a first-class record. In no case shall the service annuity of an employee retired after a continuous service with the company of fifteen years

or more be less than \$300 nor more than \$6,000 per annum, and in no case shall the service annuity of an employee retired after a continuous service with the company of less than fifteen years be less than \$100 nor more than \$6,000 per annum."

## COMMONWEALTH POWER, RAILWAY AND LIGHT COMPANY.

NEW YORK. 1916.

(1916) On January 15, the company announced a plan to aid its employees to purchase common stock of the company at \$60 per share. The offer was extended to all employees, including heads of departments and the rank and file. The plan became effective February 1, and of the 5,500 employees 1,300 have entered subscriptions.

Payments on the stock are to be made by deduction of \$1 per share per month from the wages of the subscribers. Interest on unpaid balances is charged at the rate of 5% per annum, and dividends on the stock are credited to the purchase account. For the past three years the dividends have been 4%, and on this basis the monthly payments by the subscribers plus the dividends and less the interest charges will fully pay for the stock in 1920, at which time the total amount withheld from the employee's wages will have been \$49.63 per share. At the price at which the stock is offered to employees the actual dividend yield is  $6 \frac{2}{3}\%$ . An employee may subscribe for no more than two shares for each \$300 (or fraction thereof) of his annual wages. The stock is not delivered to the employee until fully paid for and meanwhile is not transferable.

In case of the resignation or death of an employee, settlement will be made by delivery of as many shares of stock at \$60 per share as the net amount paid in and accumulated on the account will purchase, with check for any balance remaining.

Subscribers may reduce their subscriptions and have the net amounts paid in applied to the purchase of shares in full.

To assist employees in understanding the plan, tables are included in the announcement showing the amounts that would be deducted from wages, the dividends to be received, the interest charged, and the equity acquired from quarter



to quarter until 1920 on the purchase of from one to twenty shares of stock.

(1919) Jacob Hekma, secretary, October 9:

“During the war, conditions made it advisable for the company to discontinue the payment of dividends on its common stock, which resulted in the market value falling below the subscription price to the employees. In view of this, and also because of the fact that with the discontinuance of the dividends the employees received no income from the stock subscribed, offsetting the interest on the unpaid balance of the subscription, the payment of subscriptions under the plan was suspended.”

### THE DELAVAL SEPARATOR COMPANY.

NEW YORK.

(1920) Francis J. Arend, president, January 27:

“Briefly, our plan provides for the subscription on the part of employees to investment and profit sharing certificates to the extent of 10% of their salaries or wages at the end of each half year (limited in the case of a few of the larger salaried employees), and the amount of the profit sharing certificates at the beginning of each year shares in the profits of the business for that year pro rata with the net investment of the stockholders, apart from the fund subscribed by employees. Subscriptions made July 1 of each year share to the extent of one-half in the profits for that year.

“The share of profits of the employee is paid to him as soon as the year’s net profits have been determined, ordinarily March 1. The only practical difference between the profit sharing employee and the stockholder is that the employee gets his full share of the profits, while the stockholder’s share is limited to dividends declared, usually less, of course, than the full amount earned.

“Our plan is devised to fit the circumstances of a close corporation, where it would be impracticable to sell stock to employees. It has the further advantage perhaps that they get their full earnings each year and may realize the amount invested at any time. There is no risk or speculation about it.

“Incidentally, we have a wage and salary retention plan, by which the employee may have 10% of his weekly or

monthly salary or wage retained toward conversion into a profit sharing certificate at the end of a half-year, receiving interest on the retention.

“The plan has been in effect with us since July 1, 1916. It has worked very well with office employees and traveling sales representatives, of which latter we have some 500. Two-thirds of our office and more than half of the field employees are regular subscribers. It has not worked so well thus far with shop employees, of whom not more than 15% have become subscribers. These, however, include most of the foremen and more important employees. We feel, though, that it is not yet possible to judge of its practicability in regard to shop employees since for almost the full period it has been in effect the great majority of our shop employees have been paying for one issue after another of Liberty bonds in an instalment way. We have refrained from urging profit sharing subscriptions upon them for this reason.

“There is one obstacle with respect to the plan in the case of shop employees that we have yet to overcome, and that is the difficulty of getting them to understand it. For the first year we did not want to urge it upon any one, and have not done so since because of having to urge Liberty bond subscriptions instead. With these out of the way we are still confident the majority of our permanent and better shop employees can be made investors and profit sharers, with mutual benefit to them and the company.

“We gave a great deal of consideration to various kinds of profit sharing plans before devising our own, which, so far as we know, was then novel. We have had no reason to change our conviction since as to the wisdom of the elements it includes, as well as to the omission of some common to most plans.”

THOMAS DEVLIN MANUFACTURING COMPANY, INC.

MANUFACTURERS OF MALLEABLE IRON FITTINGS.

(FACTORY: BURLINGTON, N. J.) PHILADELPHIA, PA. 1905.

(1916) Upon payment of \$1 a week, employees who render “continued and faithful service” and who earn \$10 per week or over receive dividends upon \$500 worth of stock of the company for a term of five years. As soon as



the cash payments and earnings of the stock amount to \$100 a certificate of stock is issued covering such amount. Same arrangements are in force, whereby employees who pay \$2 a week receive dividends on \$1,000 worth of stock. Some of the employees own \$3,000 to \$4,000 worth of stock.

An official of the company states that the plant was moved from Philadelphia to Burlington, N. J., largely on account of troubles with the molders' union. The stock ownership plan established for the new employees at Burlington was offered to the remaining force at Philadelphia, but the men were suspicious and refused to accept it.

The company reports that the plan has worked very successfully with a majority of the employees, but that in the case of a certain proportion of the employees very poor results have been accomplished. When these employees have paid in \$50 or \$60, they are accustomed to leave the company in order to draw out what they have paid in.

(1919) Thomas Devlin, president, October 10:

"Our profit sharing plan would be a complete success if the concern were large enough and there were a market for the stock. Since the business is a close corporation there is no market. The intention was to get all heads of departments and all the mechanics interested first and eventually everybody. The lack of a market is a great drawback, and if we could be supplied with that the plan would be perfection."

The plan is still in force, not having been changed since 1916. The average number of employees of the company is about 1,000. When there is a profit from the stock their feeling toward the plan is favorable. Sixty-three of the stockholders are workmen, who own \$109,000 in shares out of \$830,000 issued.

#### DORT CAR COMPANY.

FLINT, MICH, 1915.

(1916) Heads of departments are permitted to acquire stock in the company by giving a note in payment, with the stock as collateral. The note is paid from the earnings on the stock. Another method is provided by setting aside a certain amount of stock on which dividends are paid, the stock being delivered to the employee at the end of five years.

if he has remained in the company's service during that period.

To all other employees a quarterly cash distribution is made, based upon length of service. Between 30 and 40 of the 100 employees are at present entitled to participate in this distribution.

The company states that it sees no reason why the plan is not a success, "as it provides periodical revenues for employees who have been faithful for a term of years."

(1919) F. A. Aldrich, secretary and treasurer, September 5:

"The Durant-Dort Carriage Company is out of business and has been out of operation for practically four years.

"On December 23 last the company distributed approximately \$40,000 to loyal employees and has at the present time a list of over 200 other employees who presumably are entitled to the same recognition. When their records are examined and approved another distribution will take place and that will be the final distribution. The Dort Motor Car Company is the official successor of the Carriage Company, but has not instituted any loyalty or merit plan as yet. It does permit desirable employees whose services it wishes to stabilize to acquire block of stock to be paid from the earnings and that is as far as this company has gone along these lines."

#### DU PONT DE NEMOURS POWDER COMPANY.

WILMINGTON, DEL.

(1916) An opportunity is given each year to all employees who have been with the company two years to buy preferred stock on the instalment plan, a certain agreed sum being deducted from the monthly salary. The number of shares that may be bought is in proportion to the amount of salaries. Employees who remain in the service for five years are allowed a bonus of \$3 a year.

Employees who have done some particularly meritorious work are given stock, which is held in their names. When the dividends on a man's stock amount to the purchase price of a share of stock it is given to him and not before.



Since April, 1915, a stock bonus of 20% of salaries has been given at the end of each month to salaried employees whose work is perfectly satisfactory in every respect. The company has announced that this bonus will be continued throughout 1916.

In October, 1915, at the time of the change of the E. I. du Pont de Nemours Powder Company to E. I. du Pont de Nemours & Company, of Delaware, with \$245,000,000 capital, a distribution of two thousand shares of stock of the old company was made to the large office force, in reward for faithful service, the value of this stock being about \$1,600,000.

(1919) H. Fletcher Brown, vice-president, November 8:

"Our employees' stock subscription plan is still in force, and there has been practically no change in it since 1916; 2,146 employees have been allotted stock under this plan, to the amount of 6,112 shares; to date, the total number of shares allotted is 29,525.

"The bonus plan is also still in effect. Bonuses are granted under two classes: Class A for inventions or other conspicuous service, irrespective of the company's earnings; Class B in the nature of profit sharing to those who have contributed most in a general way to the company's success. Class B bonuses correspond to approximately 7% of the surplus left from earnings after the payment of debenture stock dividends and 5% on the common stock. Under this bonus plan about 260 separate employees have thus far received "A" bonuses and about 4,089 separate employees have received "B" bonuses.

"We are well satisfied with the results of this bonus plan, and attribute to it a considerable share of the success realized by the company during the war.

"This company has a merit payroll plan, by which employees who have been in the service of the company for one and not more than two years are given 5% additional pay; two to five years 10%; five to ten years 15% and ten years' service and over 20%. This extra or merit pay is given in the form of a separate check monthly. By this means we have materially reduced the turnover at certain plants.

"Neither our bonus plan nor the stock subscription plan reach the majority of men on the payroll, and we are con-

sidering the adoption of some plan which will be more generally applicable to these men.

"We have very recently adopted a group insurance plan, under which all of the employees who have been in the service of the company more than six months are granted group life insurance."

#### EDISON ELECTRIC ILLUMINATING COMPANY OF BROOKLYN.

(See Percentage of Profits.)

#### SAMUEL ELMAN COMPANY.

CLOTHING FACTORY. SYRACUSE, N. Y.

(1920) February 29, the local press announced that this recently incorporated company was offering its 200 employees common stock valued at \$100, a 7% dividend guaranteed, at \$80 a share, 10% to be paid yearly. It was said that several employees had arranged to pay for their stock in weekly instalments, while others were making lump payments each year.

#### FIRST NATIONAL BANK OF CHICAGO.

CHICAGO, ILL. 1903.

(1916) For a number of years, this institution has had in force a plan under which employees may purchase stock of the bank within ten points of the market price. If desired, the money may be borrowed from the bank at the rate of 4% for such purchases and repaid in instalments of \$5 a month for each share.

The president, James B. Forgan, says in telegram of March 27, 1916: "There are now 776 employees, of whom 130 are availing themselves of the opportunity. The plan was put in operation in January, 1903, and is limited to members of the bank pension fund. All clerks eighteen years and over, of whom there are 695, are members. The plan is a success."



## THE FORD MOTOR COMPANY.

(See Exceptional Plans.)

FROST GEAR AND FORGE COMPANY, and  
GENERAL ELECTRIC COMPANY.

(See Special Distributions.)

## GENERAL MOTORS CORPORATION.

NEW YORK.

(1919) The company's plan went into effect for 1918 and remains unchanged.

J. A. Haskell, vice-president, writes, December 1:

"In our annual report for the year ended December 31, 1918, there is this reference to our bonus plan:

"The corporation has adopted a bonus plan under which stock of the corporation is distributed each year as a reward to its employees, including employees of subsidiary companies, who have contributed to its success in a special degree, by their inventions, ability, industry, loyalty or exceptional service. It is hoped thereby not only to compensate services rendered but also to encourage further efforts by making its employees partners in the corporation's prosperity. Under the bonus plan, the amount which may be distributed each year is determined by taking 10% of the net earnings of the corporation after deducting therefrom an amount equal to 6% on the capital invested. The bonus plan is in no sense a profit sharing plan in the meaning of that term as generally used. There was awarded for the year 1918, under this plan, a total of 24,334 shares of the common capital stock of the corporation, at a cost to the corporation of approximately \$2,798,410."

"Awards under the bonus plan were made to 2,700 employees for 1918. The total number of employees as of December 31, 1918, was 49,118.

"The savings and investment plan was put into operation during the early spring of 1919 effective for the full year. The average number employed by the corporation during the ten months ended October 31, 1919, was 72,997, and of these 59,046 were eligible to participate. The average number participating was 18,876, or 32% of those qualified.

A press dispatch of March 26, 1920, states: "Any employee can deposit \$5 or multiples thereof up to 10% of his annual wage, but not to exceed \$300 a year. The plan provides that the corporation shall match each employee's savings by crediting his account with an amount equal to his deposits, paying interest on the total at the rate of 6% per annum, computed semi-annually. A new class is started each year to terminate in five years. As each class matures the beneficiary may elect to take cash, securities in which the funds have been invested or leave the money to continue at interest."

The General Motors Corporation is composed of the Cadillac, the Buick, the Chevrolet, the Oldsmobile, the Oakland, the GMC Truck, etc., and the welfare plans are applicable to all.

The company issues several pamphlets containing detailed information as to its bonus and other plans.

#### THE GOODYEAR TIRE AND RUBBER COMPANY.

AKRON, OHIO.

(1916) Heads of departments and branch and district managers of the company are permitted to acquire common stock at par on the instalment plan. The amount allowed to each man is determined by the management, largely according to length and merit of service. The plan affects some 235 employees in a total force of about 8,500.

The company states that all employees who are benefited by the opportunity to purchase stock appreciate it and "undoubtedly the service rendered by them is on a higher plane than it would otherwise be."

At times during rush production, the company has heretofore paid a 5% bonus in some departments for steady attendance, but it did not find the plan successful and it has been discontinued.

(1919) C. W. Seiberling, vice-president, November 18:

"We have gone in for profit sharing to the extent that about 1,000 of our employees are common stockholders. They have bought their stock at par, given their notes and paid their notes in dividend. We are now re-financing our company, increasing the stock to 200 millions; 100 million



common and 100 million 7% preferred. We have approximately 25,000 employees, of whom 17,000 have subscribed for this new 7% preferred stock in amounts from 1 to 20 shares. The subscriptions amount to \$7,364,700. They are given two years to pay for the stock, paying \$1 per week per share. For every year they remain in our employ and retain their stock up to five years they receive a 3% bonus. They are therefore getting 10% on their investment.

"We believe that this is one of the best plans for inducing employees to save their money and at the same time become owners as well as employees of the Goodyear Tire and Rubber Company.

"With 17,000 of our employees as first preferred stockholders and over 1,000 as common stockholders, over three-fourths of our employees are stockholders in our company.

"We first began by taking the heads of our Departments into partnership by giving them stock in 1908. This has been broadened so as to take in foremen and other employees.

"Taking our employees into partnership and having a very broad plan of social service, athletic and recreational activities has made our employees as a whole happy and contented and unquestionably lessened labor troubles.

"What the employee wants is not charity but human interest taken in him by the employer."

In an address to the Western Mining Congress, in November, Mr. Seiberling described the financial, welfare and other relations of the company with its employees. (Pamphlet).

#### GREAT NORTHERN RAILWAY COMPANY.

ST. PAUL, MINN. 1900.

(1916) Employees other than day laborers, who have been in the service of the company continuously for at least three years and whose yearly salaries or wages do not exceed \$3,000 are enabled to invest their savings with the company in the following manner:

A separate company was formed, known as the Great Northern Employees' Investment Company, which subscribed for stock of the Great Northern Railway Company at par, to the amount of \$1,188,000. Employees eligible under the above conditions may subscribe for certificates in the Invest-

ment Company upon payments of \$10 or multiples thereof, but not more than \$5,000 worth may be purchased by any one employee.

Interest is paid to the holders of these certificates at the same rate per dollar as the dividends on Great Northern Railway stock held by the Investment Company. This dividend rate has been 7% for many years.

All expenses of management of the investment company are paid by the railway company. The certificates are not transferable. The company may demand surrender of a certificate at any time and will thereupon pay to the holder its face value, together with any accrued dividends payable before the date of redemption fixed in the demand for surrender. An employee who has completed his subscription for a certificate is not permitted to reinvest until after the expiration of three years. The company will refund upon ten days' notice the principal of any certificate held by an employee, together with all dividends declared and payable thereon; but employees who cash their certificates under this privilege are not permitted to subscribe again, the intent of the plan being that employees shall retain their holdings so long as they are in the company's service. Within six years subscriptions had been received for nearly the entire allotment of stock.

(1919) W. P. Kenney, Federal manager, October 9:

"I think your letter (of inquiry) must have been addressed to us in error, as of course no lines under government control would enter into any profit sharing arrangements."

#### HARSH & CHAPLINE SHOE COMPANY.

MILWAUKEE, WIS. 1914.

(1916) Employees may buy stock of the company on the instalment plan, paying from 50 cents a week up, and upon this stock they receive 6% interest and a graduated share of the profits of the business. The offer is open to all efficient employees, regardless of length of service. The company has between 400 and 500 employees, more than half of whom have applied for stock under this plan. Payments made toward the purchase of stock may be withdrawn at any time. The company states that the plan means to the



manufacturer "that he does not see his men loafing, tools are not destroyed and better work is turned out."

(1919) C. O. Chapline, vice-president, October 15:

"We have no profit sharing plan in our business other than a weekly bonus, which is based on quantity and quality production. We have never seen nor heard of a plan that in our opinion was thoroughly equitable, because of the fact that plans do not provide for a share in losses should any occur. We sell common stock to those of our employees who care to buy it and have quite a few common stockholders. This is the nearest to a fair profit sharing plan we have been able to decide upon."

### HART, SCHAFFNER & MARX.

CHICAGO. NEW YORK.

(1919) Earl Dean Howard, November 12:

"We have no comprehensive plan of profit sharing. About three years ago we distributed shares of our common stock to minor executives, to be paid for in instalments deducted from their wages. This plan we believe to have been very successful in securing the interest and loyalty of those men. We have never, however, extended the principle to classified employees. The plan covered but a very small percentage of our people, and indeed only men having some executive authority, and not strictly wage-earners."

### H. P. HOOD & SONS.

DISTRIBUTORS AND PRODUCERS OF MILK AND DAIRY PRODUCTS.

BOSTON, MASS. 1914.

(1916) A special issue of \$200,000 worth of preferred stock of the company, paying 7% dividends, is available for purchase by employees at \$10 per share par value. This stock has voting power and may be purchased by any employee who has been in the service of the company for three months or longer. The company reserves the right to repurchase the stock if any subscriber leaves its employ, and in case of death of an employee the stock will be redeemed at an advance of 25% above its par value.

For the past eight years the company has also maintained a somewhat complicated system of bonuses, based upon the individual efficiency of employees as it affects the financial returns of the business.

(1919) The auditor of the company, October 8:

“Our profit sharing methods remain as described to you in our letter of May 3, 1915, and our comment to-day would be substantially as then stated.”

### THE HYDRAULIC PRESSED STEEL COMPANY.

CLEVELAND, OHIO.

(1919) Profit sharing, installed in this company in 1914, now affects 30% of the 3,500 employees. The results are reported by H. B. Bole, first vice-president, as “fine,” with better labor relations in the plant. The profit sharing goes “right down the line,” owners, executives, managers, department heads, superintendents, foremen, to unit bosses, but there the line is drawn. The vice-president adds: “It is regarded as an unqualified success as far as it has gone. We feel, however, that some time in the future we will have to extend it through some means, either in the form of dividend in connection with a thrift plan or some other form, through our entire organization.”

### ILLINOIS CENTRAL RAILROAD COMPANY.

CHICAGO, ILL. 1893.

(1916) In response to the expressed desire of many officers and employees of the Illinois Central Railroad to invest their savings in stock of the company, former President Stuyvesant Fish in 1893 announced a stock purchasing plan upon the following lines:

Employees may purchase one share of stock at a time and pay for it in instalments of \$5 or multiples thereof. On these payments interest is credited at 4%, and when the total credit of payments and interest equals the subscription price of the stock it is issued to the purchaser, who may then, if he wishes, begin the purchase of another share. This stock is transferable and has full dividend and voting rights.



On the first of each month the company quotes to employees the "fair market price" at which applications for purchase of stock will be accepted during that month. If a subscriber makes no payments on his stock for twelve consecutive months, no further interest is allowed on his account, but the sum to his credit is returned to him upon application. Employees who desire to cancel their subscriptions before completion may have their payments returned with accrued interest.

Subscribers are expected to make their first payments from the first wages which may be due them. They may authorize the paymaster to retain from their wages monthly instalments on the purchase of the stock. Employees who leave the service must either pay in full for the stock subscribed for or accept in cash the deposits they have made, with accrued interest. Employees who have not subscribed on the instalment plan may, if they prefer, purchase in any one month one share for cash outright, at the price fixed for that month.

Three years after the introduction of this plan, President Fish, in a further explanatory statement to the employees, noted with much gratification "their increasing desire thus to identify their interests with those of the company." The plan is still in effect, without modification, as originally adopted.

(See Great Northern Railway Company.)

#### INTERNATIONAL HARVESTER COMPANY.

CHICAGO, ILL. 1915.

(1916) In December, 1915, the company announced a plan to assist its 35,000 employees to become stockholders and sharers in the profits. Under this plan, employees have an opportunity to purchase profit sharing certificates in the company, payments for which are made in monthly instalments from their salaries. These certificates, it is provided, may be converted into stock at \$3 below the market value.

The profit sharing certificates range in denominations from \$50 to \$1,000. To the payment of every employee taking advantage of the offer before March 1, 1916, the company offered to add 1% of his earnings annually. Over

twenty thousand of the employees enrolled. At some works more than 90% of the shop men subscribed. The general average for all plants is over 70%. The aggregate amount subscribed is over \$5,000,000.

Interest will be paid at the rate of 5% per annum on all employees' payments and credits on their profit sharing certificates. In addition to the annual dividends on stock, the company also will pay to the employee an amount equal to the extra dividend which he would receive upon his stock, if the entire excess of the net profits for each year prior to 1921, over an amount equal to 6% of the money invested in the company's business during the year, were distributed pro rata to all holders of its common stock.

Provision is made for postponement of payments in case of illness or unavoidable lay-off. Certificates can be turned into cash at the will of the employee. The plan will terminate in January, 1921.

The company has been endeavoring for some time to devise a profit sharing plan which would reach and benefit the rank and file of the employees and not merely the department heads and foremen. An official of the company states that the employees are eagerly accepting the new opportunity and that since the plan was adopted over 60% of the men in some plants and over 80% in others have already subscribed. This official says further that if the new system "tends to make the employees thrifty and saving and accomplishes nothing else, I believe that it will be worth all that it costs the company; but there are many other advantages to accrue to both the employee and the company through his becoming associated as a stockholder. One of the evident advantages is the independenec of the employee in being able at any time to take his certificate of stock to a bank and borrow money at a reasonable rate of interest to tide him over some financial crisis."

In its monthly magazine, "The Harvester World," the company lays the new plan before its employees in a brief announcement of the essential features, with an invitation to "Join the Harvester Family Profit Sharing Plan."

In the same number Cyrus H. McCormick, in the course of an article entitled "A New Confidence," makes the following comment upon the profit sharing plan:



“A new feeling of confidence in the future, owing to our ability to come safely through the present crisis, has encouraged the directors to take a step which they have long been striving to accomplish. A new plan of profit sharing has just been adopted, which is intended to benefit all the employees whose incomes are the smallest and who have not before participated in our profit sharing fund. The company is glad to announce the new plan, the details of which have just been given out, and hopes it will be received with favor by all the employees. This is a further evidence that the directors wish the employees to know that this business is their business, and that the company's interests and theirs are closely linked together.”

The disposition to award “extra payments to labor” has been prominent throughout the history of this company. In 1903, at the time of the merger of the McCormick Harvesting Machine Company in the new International Harvester Company, the members of the McCormick family made a special distribution to employees who had been in the company's service during the preceding five years, amounting to 5% of the total salaries or wages they had received during that period. The distribution was in the form of stock of the International Harvester Company, held in trust for five years, with certificates of participation issued to the employees affected. The holders of these certificates were entitled to all dividends on the stock and they might at any time surrender their certificates and receive cash for the stock it represented, at par. In this manner, 14,109 shares of a par value of \$1,410,900 were distributed to 1,501 employees, besides 47 who elected instead to take life pensions offered by the company to those over sixty years of age.

In 1909 the International Harvester Company announced a profit sharing plan, a part of which was a cash bonus distributed at the company's discretion among employees who made a satisfactory showing for the year, the other part being a stock subscription plan.

The bonus was based, in the sales department, upon increase of sales and reduction of selling expense; and in the factory organization it was based upon increased production and decreased cost, or a combination of both. In 1911, a representative of the company stated that the bonus system had not extended far beyond the grade of assistant foreman and that all the superintendents were interested in the adop-

tion of a system which would reach every employee. The newly adopted plan, therefore, is the outgrowth of several years of careful study on the part of the management.

The stock subscription feature of 1909 allowed the purchase of company stock by employees on an instalment plan. The amount any employee might subscribe for was limited to the amount of his annual salary, and the payments thereon were not to exceed 25% of his salary in any one year. Twelve thousand five hundred shares of preferred stock and fifteen thousand shares of common stock were offered for sale at less than the current market price. Employees who remained in the company's service and in good standing for five years and retained their stock or interest in it were allowed a bonus of \$4 and \$3, respectively, on every share of the preferred and common stock for each of the five years. When men left the company's service or discontinued paying for stock, the company continued crediting these \$4 and \$3 payments to a fund which at the end of five years was to be divided among such employees as had fully paid for their stock and remained in good standing in the service throughout that period. This plan was not renewed upon expiration, but it has been replaced by the new system announced in December, 1915.

(1919) G. A. Ranney, secretary and treasurer, November 29:

"Our profit sharing plan, announced December 23, 1915, is still in force. It is, however, more than a percentage of profits plan, containing the two other distinct elements of a fixed yearly bonus to participating employees of 1% of the previous year's salary or wages, and of stock ownership by voluntary conversion of credits on profit sharing certificates into their equivalent in the company's common stock—with the further benefit to the employee of a price for such stock \$3 per share below the prevailing market price at conversion.

"At this time, credits on profit sharing certificates total more than \$3,500,000; approximately 3,500 employees have become stockholders, having acquired about 16,000 shares.

"At August 31, 1919, our employees in the United States and Canada numbered approximately 37,000 and the number participating in the profit sharing plan was about 20,000. In this connection it should be noted that more than 1,500



employees had reached the maximum limit of \$1,000 provided in the plan, and therefore are not included in this total of participating employees.

“The only modification of the plan since 1916 has been extension of its period of operation from 1921, as originally provided, to January 1, 1924.

“Judging from the percentage of employees participating, from the small number of lapses except on account of leaving our employ, from the eagerness of subscribers to convert credits into stock and from the equally strong and general disposition to retain stock without regard to fluctuations of market price, the plan enjoys a high degree of confidence among employees of all grades and departments. About 50% of profit sharing credits are converted into stock as soon as they reach a sufficient amount. The percentage of those selling stock acquired under the profit sharing plan is so small as to be negligible.

“The Harvester Company has had only two periods of labor disturbance in the seventeen years and more since its organization—one of brief duration and comparatively small effect on production in 1916 and the other in July-August, 1919. The disturbances in both instances were limited to certain of our eight Chicago plants. The more recent disturbances, lasting from two to three weeks, resulted from the action of less than 10% of the 10,000 or more employees affected; the remainder left their work unwillingly and most of them returned when operations were resumed.

“It seems to us quite believable that, while the primary purpose and dominant element of our profit sharing plan is to promote systematic saving among employees, its very general acceptance among them and the extent of their participation have naturally had a mutually beneficial effect in fostering the spirit of industrial co-operation.”

INTERNATIONAL NICKEL COMPANY.

NEW YORK. 1914.

(1916) Employees are allowed to purchase stock of the company at \$110 per share by making monthly payments of not less than \$3 per share, which are deducted from wages or salaries. Payments on stock are not to exceed 25% of

the monthly salary. The stock must be paid for within three years, and interest at 5% is charged on deferred payments.

Employees who take stock receive dividends as soon as the first instalment is paid, and if they retain the stock and remain in the company's employ for five years, rendering satisfactory service, they receive an extra 5% on their stock for each of those years.

The extra compensation of employees who cancel their subscriptions by leaving the service of the company during the five years' period goes into a fund which is distributed at the end of the period among the remaining subscribers. The number of shares for which an employee may subscribe varies according to salary and length of service, the maximum being ten shares.

In the event of cancellation of subscription, the employee receives the amount paid with interest at 5%, no credit for dividends being allowed. The company has about 4,500 employees.

### JULIUS KAYSER AND CO.

SILK AND FABRIC GLOVES, ETC. NEW YORK.

(1919) This company's plan went into effect September 1, 1918. To the employees qualified under the plan there is apportioned an amount equal to 1% of their year's earnings for each year of continuous service up to five years. Thence to ten years the rate is one-half of 1% for each additional year, and thereafter it is  $7\frac{1}{2}\%$ . Features of the method are payments partly in cash and partly to a deposit account, the general fund being so far as possible or advisable invested in stock of the company.

### KELLY-SPRINGFIELD TIRE CO.

NEW YORK.

(1919) C. A. Brown, vice-president, November 11:

"We have no profit sharing plan in vogue in any of our plants, excepting through stock ownership. All of the employees of this company are privileged to subscribe each year to common stock of the company, for which payments



are permitted to be made in monthly instalments. In our particular case it would seem that the employees' opportunities through stock ownership are very good and the value of this plan of profit sharing is very greatly appreciated, particularly by the higher grade employees. The factory workmen, however, do not at all times seem to realize the importance of their holdings, but we find this is becoming more apparent to them each day. We inaugurated this plan two years ago and it is still in effect, and I should say three-quarters of all employees of the company are stockholders.

"We have not had any occasion to determine the effect of stock ownership on the rank and file factory employees as regards labor disturbances. We have recently had a strike in our machine shop, and several machinists who are stockholders came to us and stated that they did not wish to go out on strike but were afraid to go to work on account of threats made by the radical elements to both themselves and their families; therefore they were compelled to remain away from work."

#### KEYSTONE DRILLER COMPANY.

(See Percentage of Profits.)

#### F. P. KIRKENDALL AND CO.

BOOTS AND SHOES. OMAHA, NEB. 1906.

(1916) Those who have been employed for more than one year "and who prove themselves worthy" are permitted to subscribe for common stock, the payments coming out of the dividends declared upon it. The employees are, however, charged 7% interest on unpaid balances, and may dispose of their stock only to the corporation.

The company is planning to have the men subscribe to preferred stock instead of common stock, which they think will be more satisfactory.

(1919) President Tailor, of the company, October 10:

"We have made no change whatsoever in the profit sharing plan as used by us for several years and described in 1916. Our opinion of same is still unchanged, namely, that it has not produced satisfactory results."

## LEVER BROTHERS, LTD.

SOAP MANUFACTURERS. CAMBRIDGE, MASS. 1909.

(1916) This plant is a branch of an English company, and a full description of the profit sharing plan will be found in the chapter on "Experience in England."

(1919) From the secretarial department of the company, November 13:

"We have recently been advised by our parent company that it is proposed to reduce the period of eligibility in our co-partnership plan from four years to one year, and also to allow employees of 21 years to become co-partners. If this proposed change is effected it will, of course, materially increase the percentage of our employees who may apply for the co-partnership privileges.

"We now have 56 co-partners out of a total of 700 employees. . . . We believe that all the beneficiaries of this plan are enthusiastic for it, that co-partners are not 'floaters,' and that our plan surely is beneficial to employer and employee."

## MARSHALL FIELD &amp; COMPANY.

CHICAGO.

(1919) John McKinley, second vice-president, November 19:

"Quite a number, perhaps one-tenth, of our employees own one or more shares of our preferred stock. This stock carries a regular 7% dividend and when owned by employees also an annual bonus of 2%. This plan has been in effect for about two years and no doubt has contributed to a state of good feeling on the part of our employees.

"In the sense in which people to-day speak of corporations having profit sharing plans, we haven't any. Like many other concerns we have been discussing it but have been unable to reach a satisfactory conclusion."

## MIDVALE STEEL AND ORDNANCE COMPANY.

NEW YORK.

(1920) Announcement that officers and employees of the Midvale Steel and Ordnance Company and its subsidiary



companies would be given the opportunity to subscribe for shares of its stock was made January 5, 1920, such subscriptions to be received between the 12th and 31st of that month. The offer was limited to 8,000 shares, par value \$50, and contained the condition that all questions concerning subscriptions, allotments and interest would be decided by the Board of Directors of the company.

The maximum number of shares for which employees may subscribe varies according to the annual salary or wages. Subscriptions are paid in monthly instalments, deducted by the company. Cancellations may be made by subscribers voluntarily leaving the company's employ, discharged for cause, on account of an extended shut-down, or for failure to resume employment when requested. Stock certificates are to be issued when payments have been completed. A special payment of \$2.50 per share, in addition to dividends, is to be paid after five years' continuous employment.

#### MINNEAPOLIS, ST. PAUL AND SAULT SAINTE MARIE RAILWAY COMPANY.

MINNEAPOLIS, MINN. 1913.

(1916) About one-seventh (or 2,000) of the company's employees are members of an incorporated association. This number includes men in the service of the company from the president down to track men, of whom there are two to three hundred. To become a member an employee subscribes for one share of the association's stock, valued at \$1. No member is permitted to hold more than one share. Each member deposits with the association every month \$1 or more, which is invested by the officers of the association in stock of the railroad company or one of its subsidiaries.

Dividends are paid to members of the association each year. Members leaving the company's service are refunded the \$1 paid for association stock, as well as their deposits with the fund less their proportion of the actual expense of administration. The employees during the first year under this plan deposited about \$100,000, all of which was invested in the company's stock.

(1919) C. W. Gardner, comptroller, writes, September 5:

“The Soo Line Co-operative Association, to which you refer, is an effort made on the part of the employees, at the writer’s suggestion, to acquire systematically by indirect method a profit sharing result. The railway company itself has not contributed or assisted the project in any manner whatever.

“The stock ownership plan described in 1916 is still in force. The results have been fairly satisfactory or at least would have been had not the war projected itself as an interference. The association has about 1,500 members. The feeling on the part of the employees who are members is favorable. I believe the plan has had some influence with employees in the matter of labor troubles but not such influence as would have prevailed had the company indorsed the plan and assisted it to some moderate extent.

“At the time of your 1916 publication the employees had invested under this plan about \$100,000, whereas their present investment is in the neighborhood of \$300,000. The average number of employees in the company’s service is about 14,000, and the average number who have invested in the co-operative plan is about 2,000. It is open to each and every employee and its membership is found in every class of employees, including trainmen, station men, mechanics, brakemen and employees of every class. I do not think it is regarded as an unqualified success for the reason that the conditions of the past four years resulted in a depreciation of the assets belonging to the association. From a dividend paying viewpoint, however, the association has been a success and has not failed to declare and pay a dividend each year of its existence and to put aside a small amount of surplus each year.

“I am of the opinion that the plan as followed up to date has been beneficial and has met a real need; that it was probably a correct plan for the conditions prevailing during that time, but that some modifications in it should now be made, and that if the railway company officially indorsed it and gave it some reasonable moderate assistance substantially all of its employees would become members and thus indirectly shareholders in the corporation.”



## MORRIS &amp; Co.

PACKERS. CHICAGO, ILL.

By its plan put into operation, September 1, 1919, this company sold more than \$2,000,000 of stock to its employees. The profit sharing was made retroactive from the beginning of the fiscal year November 1, 1918. In January, 1920, those employees who had paid cash for their stock got the equivalent of 60% per annum. For \$100 stock the employees paid \$86.50 and drew interest on their full face value. The total amount subscribed was \$225,000. The company issues 4½% collateral gold bonds, face value \$50 and multiples. Employees may purchase as many of the bonds as they desire, either in cash or on two years' instalments. The company guarantees that the net return on a profit sharing certificate, including interest on the bonds, shall not be less than 10%. The 2,991 employees taking up with the plan subscribed for \$1,918,000 bonds; 42% of the office force subscribed; 12% of the packing plant; 22% of the branch houses and 18% of the foreign branches.

Fairbanks, Morse & Co., Chicago, who had offered employees 12,500 shares of common stock on time payment, announced applications as double the amount offered. Over 1,400 workers, representing 21% of the payroll, applied for 24,500 shares.

## THE NARROW FABRIC COMPANY.

READING, PA.

(1919) This company, with an average of 850 employees, of whom about 300 have become employee stockholders, put its plan into effect January 1, 1917, as stated by H. M. Frey, secretary. The plan comprises stock selling to employees whose application is accepted by the company, together with preferential dividends on employees' stock and a further profit sharing fund from an otherwise undivided balance.

In the opinion of the secretary the plan has been the means of stabilizing employment and avoiding labor trouble, and is receiving the hearty support of the employees.

## NATIONAL BISCUIT COMPANY.

NEW YORK. 1901.

(1916) Employees are given an opportunity to invest their savings in the company's preferred stock upon the following conditions: Application may be made for one share of stock by any employee and payments on the purchase price must be at the rate of \$5 or a multiple thereof. Interest at 4% is credited on these payments. When the stock is fully paid for, it is transferred to the employee, plus any excess of dividend declared in the meantime above 4% interest on the price paid by the company for the share of stock when purchased for the employee's account. Thereafter, all dividends are paid in full to the owner of the stock.

If no payments are made for six consecutive months, or if the stock is not fully paid for within two years, the company may cancel the arrangement and refund the payments actually made, with accrued interest. Employees desiring to withdraw from the arrangement may have their payments returned with accrued interest, and employees who leave the company's service must either pay up the balance due on the share subscribed for or accept the amount to their credit in cash with interest.

(1919) G. S. Wells, treasurer, September 5:

"The stockholders' ownership arrangement with our employees is still in full force and effect. The arrangement forms a closer tie between employer and employee, creates a deeper feeling of interest on the part of the employee in the success of co-operation. There has been little change in the number of employee stockholders since 1916 due to their investments in the various liberty loans, which we encouraged. All employees, without distinction, can acquire our stock on this plan. Our employees have in many instances expressed their appreciation of the plan, and have substantiated their appreciation by further subscriptions for our stock."

## NATIONAL CLOAK AND SUIT COMPANY.

NEW YORK. 1914.

(1916) In June, 1914, the company discontinued a percentage of profits plan (a description of which will be



found under Abandoned Plans) and adopted a scheme designed to enable all those who were included under the old one, and a great many more, to become stockholders.

To each employee included in the plan a certain number of shares is allotted, based on the importance of his position. The total allotment is spread over a period of five years and only one-fifth of the total can be taken up in any one year. The stock is allotted at a price of \$25 per share, which can be paid for in monthly instalments. Any one paying for a year's allotment at one time will have a certificate of stock issued to him at once. Those who complete their year's payment on the instalment plan will have their certificates issued to them after the twelfth payment.

Each employee acquiring stock in this manner signs an agreement not to sell, lend, pledge or in any way dispose of the stock for five years. Any one leaving the employ of the company may retain such stock as has been fully paid for and issued, but forfeits any rights to stock allotted for subsequent years. The company agrees to turn over to his estate, without further payments, the stock allotted to any employee who shall die before the expiration of the allotment period. The company further agrees, when dividends are paid on this stock, to credit them to the stock for the benefit of the person to whom said stock has been allotted. No interest is charged on deferred payments until after dividends are paid.

(1919) William Rosenbaum, secretary and treasurer, November 19:

"We have no profit sharing plan. The bonus plan has not been changed. It is operated as follows: At the end of each three months we distribute to employees who have been with us during the entire period a bonus of from \$5 to \$100, based primarily on the length of the employee's service with the company, and secondarily upon the efficiency records of the department in which the employee is engaged. In most instances the efficiency records consist of accuracy, cost per unit of work, time consumed in handling work and labor turnover.

"We rate (or weigh) each basis of efficiency according to its relative importance in that department. For example:

Accuracy, 50 points; cost per unit, 20; time schedule, 15; labor turnover, 15; total, 100.

“At the beginning of each bonus period we supply to every department a statement showing its past efficiency records as well as the record we expect it to attain during the current bonus period. If the expected record is accomplished, the full amount of the bonus is paid. If not, a proportionate amount is paid according to the improvement made.

“No employee is given more than 100% of his or her bonus but if the expected record of any one of the four bases is exceeded the additional points gained are applied to offset any deficit which may exist in one of the other three bases. An exception to this is, however, made in the case of ‘cost,’ for which no credit is allowed to a department for exceeding the expected record. This rule was established as a temporary safeguard against the possibility of the payroll of a department being lowered beyond reason.”

#### N. O. NELSON MANUFACTURING COMPANY.

MANUFACTURERS OF PLUMBERS' AND MACHINISTS' SUPPLIES.

ST. LOUIS, MO. 1886.

(1916) From the net profits of the company, 6% is paid as interest on capital stock and from the remainder there is divided an equal percentage on the capital stock and on the wages of employees who have been with the company six months. The dividends to employees are allowed to accumulate to their credit and are then finally paid to them in stock of the company.

The plan, since adoption, has been changed slightly from time to time. After the panic of 1893 no dividends were paid for several years, because of general business conditions. When times became better, dividends were resumed and 4% allowed on the suspended years.

To prevent employees from selling their stock, the company only issues certificates after three years, and employees while in its service are forbidden to sell their stock. In meritorious cases the company buys the stock itself from employees desiring to realize on it in cash.



More than 1,000 employees participate and at present own about one-third of the capital stock. Mr. Nelson reports that "the plan has worked satisfactorily, has caused no trouble, and has undoubtedly increased the effectiveness and profits of the business."

(1919) From a representative of the company, September 9:

"Our stock ownership plan is still in force. About 1,000 employees participate. We have every feeling of confidence that in normal times the plan is fully appreciated by the large majority of our employees. Our plan takes in all employees from the president down, the only qualification being that a man must be with us six months before he participates, and he must be with us three years before he is presented with a stock certificate representing his profit sharing dividend for the three year period. Should he leave our employ before the end of the three years he loses his accumulated dividend. After having served three years he gets his profit sharing dividend for each year thereafter."

#### NEW HAVEN GAS LIGHT COMPANY.

NEW HAVEN, CONN. 1907.

(1916) Each quarter there is credited to the account of every employee who had contracted to enter the profit sharing scheme 8% on the wages paid him for the preceding three months. This is at the same rate as the dividends paid to stockholders. All employees who have been with the company one year, except executive officers, are eligible.

When the amount credited to an employee equals the market value of one or more shares of stock in the company, a certificate representing such shares is transferred to the employee as his property, to keep or sell as he may elect. An employee may, if he desires, draw out in cash funds to his credit, instead of taking stock. In such case, he receives only one-half of the amount credited in his name.

If employees are discharged for reasons other than drunkenness, insubordination, crime or destruction of the company's property, they receive their full balance. In the instances named, the balance is forfeited. Employees leaving of their own volition are paid one-half of the amount to their

credit, except when a woman leaves to marry, in which case she receives the full amount.

The company reserves the right to refuse permission to enter into this contract to any employee who lacks interest in the company's welfare, and may also cancel an agreement already signed, upon one week's notice.

The company has not found this scheme an unqualified success, as an increasing proportion of shares has been sold and turned into cash by the employees. There has, however, been a noticeable increase in interest and loyalty on the part of those retaining their stock.

(1919) J. Arnold Norcross, treasurer, September 6:

"Our stock ownership plan is still in force, but will not apply to any employees taken into the company after February 10, 1919. Our reason for limiting its further application was purely a question of necessary curtailment. The cost of the plan has doubled on account of the doubling of the wages, it has been still further increased by the shorter hours and consequent greater number of people employed and there is a still further proportionate increase on account of the falling off in the day's work of the average manual worker. These are not easy days for a public utility, and we therefore feel we must, temporarily at least, check the growth of this expense.

"We have about 550 employees.

"I cannot officially speak for the company as to our feeling toward the plan, but my own feeling is that it is a flat failure among the lowest grades of labor, and that happens to be the place where we are most troubled with discontent and unreasonable demands. The higher we go in the scale of intelligence and thrift the more the plan is appreciated. It is impossible to draw a line exactly defining where it is a success and where a failure because there are individual examples among all classes and individual examples of contrary experience in the various grades of employees. I should say, therefore, that the plan had tended to keep more contentment among the best of our employees and had had no effect on the worst."

The company issues a pamphlet describing its plan in full.



## THE NORWALK TIRE AND RUBBER COMPANY.

NORWALK, CONN.

(1919) D. Spence, vice-president, November 21:

"We have so far refrained from undertaking any general plan of profit sharing. We have been content to recognize a number of our most deserving employees by assigning to them stock, from time to time, in this corporation. It is our intention and wish, however, to go further in this matter in the course of time."

## PARKE, DAVIS &amp; Co.

MANUFACTURERS OF DRUGS. DETROIT, MICH. 1902.

(1916) The company has twice allotted to employees 4,000 shares of its stock. The par value of the stock is \$25, but the company sold it to the employees at a low book value and practically loaned the subscribers the purchase money for five years at 5% interest. The first 4,000 shares were distributed principally to the executive staff, and the second 4,000 to the traveling salesmen and valuable subordinates in the laboratories and offices.

A great majority of the beneficiaries have paid for their stock and may have purchased more at the market price. Between 500 and 600 of the company's 3,500 employees are stockholders. Approximately one-half the stockholders of the company are employees. The company states:

"We consider both operations an unqualified success. They have beyond question stimulated the loyalty and devotion of our employees; very few have left us to go to competition, whereas in years gone by, our establishment was a veritable nursery or training-school maintained largely for the benefit of our competitors."

(1919) Frank G. Ryan, president, October 9:

"The stock ownership plan is still in force, with apparently good results. We have an average of 2,500 employees, with about 800 who have participated in stock allotments. The feeling of employees toward this plan is very satisfactory, and we believe it has modified the tendency toward labor

troubles. The allotment of stock is not limited to heads of departments, but does include the rank and file.

"We cannot say that we regard it unqualifiedly as a success. We believe our plan will continue to be a success so long as our business is successful. Should the business meet with reverses and our stock depreciate in value we would expect much dissatisfaction among those who have purchased the stock according to our plan. In our opinion any plan of profit sharing or stock allotment can only be successful if the business of the corporation is successful: employees are not likely to share losses in business willingly, however grateful they are to share the profits."

### PICKANDS, MATHER & Co.

STEAMSHIP INTERESTS. CLEVELAND, OHIO. 1914.

(1916) The company holds in trust 2,500 shares of its stock, which may be purchased by masters and engineers at par, each master being permitted to buy from one to eight shares a year and each chief engineer from one to five. Payments must be made in monthly instalments in such amounts as the subscriber fixes, except that stock must be paid up in three years. Interest at 5% is charged on deferred payments. Dividends are credited as payments on stock. Three hundred extra shares were set aside for distribution, without cost, among those subscribers retaining their shares until 1920.

The company states that it does not regard the system as strictly profit sharing, but "it is more the plan of getting our chief navigating officers, that is, the masters and engineers, interested in our property."

(1916) From a representative of the company, October 31:

"We have not installed any plan except that of 1913. We consider this has been a great success to the men receiving the benefits of it; in fact it has helped our whole organization."



## PITTSBURGH COAL COMPANY.

PITTSBURGH, PA. 1900.

(1916) Employees are permitted to purchase common or preferred stock of the company upon monthly payments of not less than \$1 per share. These payments are made to the Pittsburgh Coal Company's Employees' Association, which invests the funds as they accumulate in stock of the company at the market price and holds same for delivery to the purchasers when their subscriptions are complete.

Employees who pay in more than \$1 per month are credited with 5% interest on the excess. When all the payments on stock subscribed for during any one month, plus dividends and other earnings accrued thereon, equal the average cost of all the stock purchased for the account of the subscribers of that month, the association delivers the stock to the subscribers. A subscriber who leaves the company's service may, if he chooses, keep up his payments until his purchase contract is completed. Those who default in the payment of any of the monthly instalments are charged interest at 6% on the arrears, and if the default continues three months or more the association may cancel the contract and return the subscriber's deposits with interest at 5%. The privilege of withdrawing deposits with interest at 5% is open to subscribers who wish at any time to cancel their contracts.

During the first nine months of the operation of the plan 234 employees became owners of 2,460 shares of the company's stock, at an average cost to the purchasers of \$41.36 per share. The latest report of the employees' association, October, 1915, shows 5,718 shares paid for and delivered and 6,414 shares under contract for delivery upon completion of the payments. Analysis of the tables showing the distribution of the stock indicates that of the 6,414 shares under contract 5,236 stood in the names of thirty-nine superintendents and one foreman, the remaining 1,178 shares being distributed among sixteen subsidiary companies, whether in the names of officers or workingmen does not appear. For a number of years no dividends were paid on the preferred stock of the company, which accordingly reduced the number of employees who entered upon stock purchase contracts.

(1919) J. B. L. Hornberger, vice president-comptroller, writes, September 8:

“Our employees’ stock purchase plan, conducted through the Pittsburgh Coal Company Employees’ Association, has been continued with satisfactory results, and the outlook at the present time is for an expansion of the work looking to the enrolment of a large percentage of our employees as stockholders. At this time, upward of 15% of our employees are stockholders of the company or are purchasing stock through the employees’ association. This percentage has grown steadily during recent years and we have good reason to believe that it will continue to grow.

“The plan effectively reaches and holds the thrifty classes of employees of the company and inculcates and encourages thrift among many who are not naturally so disposed; in this way building up and strengthening the very fibre of the company’s organization. It is a leaven quietly overcoming radicalism and class hatred.”

Mr. Hornberger also writes, November 29:

“The Board of Directors has authorized a special distribution to be made as of December 1, 1919, and each year thereafter, until changed or withdrawn, of \$1 per share on all of the company’s stock owned at such time by employees of the company which was purchased through the employees’ association. This, of course, is in furtherance of the policy of the company to encourage its employees to save money and become partners in the business.

“While our plan has not, up to this time, involved large bonuses from the company, and may not be properly classifiable as a profit sharing plan, yet we believe that the principle followed is along correct lines, which may in the future be extended with great mutual profit.”

Printed matter issued by the company describes its plans.

PITTSBURG, BUTLER AND HARMONY CONSOLIDATED RAILWAY  
AND POWER COMPANY.

PITTSBURG, PA.

(1920) A press dispatch on March 19 states that one million dollars worth of common stock, three directors and establishment of an old age pension and sick fund is the gift



to more than 400 motormen, conductors and other employees of the Pittsburg, Butler and Harmony Consolidated Railway and Power Company and its subsidiaries, according to the announcement of David I. McCahill, president.

Employees of the company were called together at Butler and told of the president's plan, explained thus:

One million dollars face value of the common stock of the company is to be set aside under a trust agreement with some bank or trust company. Certificates representing the stock are to be issued to the employees. The fund which would result from the accrued dividends is to be divided equally among all the employees, so that each employee would be interested in holding down the number of employees to as few as possible because the greater the number, the less the amount each would receive.

In event an employee dies while in the service of the company his widow during her lifetime and after her death any minor children would be entitled to his share in the fund. The right to vote the common stock remains with Mr. McCahill, but in order that the employees might have representation even greater than that which voting power would give them they are to have not less than three directors on the Harmony and the Mars board, these directors to be selected by the men themselves, according to rules they may adopt.

#### THE PROCTER AND GAMBLE COMPANY.

SOAP MANUFACTURERS. CINCINNATI, OHIO. 1887.

(1916) In the year 1903 a plan for dividends through stock ownership was inaugurated. This, with slight modifications, is in effect at the present time, and is regarded by the company, so far as its business is concerned, as an unqualified success. The company reserves the right to terminate the plan at the end of any fiscal year.

Employees earning not more than \$1,500 per year (except salesmen and traveling representatives) may upon application have common stock of the company purchased for their account at the market price, to an amount equal to their annual wages. This stock is held for their benefit by three trustees appointed by the directors of the company. A subscribing employee pays at the time of purchase  $2\frac{1}{2}\%$

of the cost of the stock and not less than 4% additional each year until the subscription is complete. Interest at 3% per annum is charged on unpaid balances.

Dividends on the stock are credited to the purchase account, and in addition each subscriber receives a trust receipt, guaranteeing to the holder dividends at the rate of 16% per annum upon the wages actually earned, provided he has been at least six months continuously in the service. These trust receipt dividends are credited toward the purchase price of the stock.

Employees in the service five and ten years may increase their subscriptions respectively to 125% and 150% of their annual wages, and receive trust receipt dividends of 20% in the one case and 24% in the other. Employees whose wages are raised may increase their subscriptions to an annual wage increase. Employees whose wages increase beyond \$1,500 per annum may, under certain conditions, retain their stock.

Employees who wish to withdraw from the plan in less than two years after subscribing for stock, or before 35% of its purchase price has been credited to their account, are entitled only to a refund of the actual amount of cash they have paid in. Employees leaving after two years, and after their credit has reached 35% of the purchase price of the stock, may withdraw their cash payments plus all dividends that have been credited to their account, provided they have not increased their payments by more than 5% of their subscription within the two preceding months in order to secure this withdrawal privilege. Written notice of withdrawal must be given. Settlement is made with employees who resign or are discharged on the basis of the status of their accounts at the date of termination. In payments to estates in case of death the benefit of any increase in market value is given. Increased value accrues to those withdrawing only in event subscription has been paid in full. A guarantee is given against loss to participants in case of decline in market value.

It is reported that employees now own more than \$1,600,000 worth of stock of the company. As the plan works out, a subscription for say \$1,000 worth of stock is fully paid for in about four years and becomes the absolute property of the subscriber.



The first profit sharing experiment of the company was simply a semi-annual distribution of cash at a certain percentage, proportionate to the employee's wages, the rate of dividend being fixed each year and based upon the current earnings of the firm.

After the incorporation of the company, in 1890, this plan continued, and the rate of profit sharing dividend conformed to the annual rate of dividend upon the common stock of the company.

At first the profit sharing plan was extended to all employees, but soon was restricted to those whose wages were \$1,500 per annum or less. It was abandoned for the reason that nothing was accomplished toward stimulating the employees to greater effort. Very little of the extra cash was saved and the recipients came to look upon the dividends as a regular part of their incomes, and as a justification for extravagance or dissipation.

(1919) L. S. Bitner, service superintendent, November 14:

"Our profit sharing plan has been revised since its description in 1916, and on July 1, 1919, a new plan was put into operation. This revision was made because it was felt that the old plan was getting 'top heavy' and that too large a proportion of the employees' earnings was being paid to them in the way of 'profits.' Also, there was no graduated increase on account of length of service in the old plan, which we consider to be a desirable feature. The wage limit of \$1,500 per year has been increased to \$2,000 under the new plan, which means that every employee of this company on the wage roll can be a participant in the profit sharing plan, as the \$2,000 limit includes men up to 86 cents per hour.

"The average number of employees of this company approximates 7,000 at all plants except the eleven mills of the Buckeye Cotton Oil Company (a subsidiary). Of this number, approximately 60% are now profit sharers. We can safely predict that an 85% participation will be accomplished by January 1, 1920. This will mean really 100% participation on account of the unavoidable labor turnover occurring in the class of employees who do not stay long enough to become what we term 'regular' employees.

"The revision of the profit sharing plan has met with 100% approval on the part of our employees. We believe that the 32 years of profit sharing which this company has experienced has done a great deal toward eliminating labor troubles, quieting unrest and building up a stable body of satisfied employees.

"Our profit sharing plan was first installed in 1887. It has been continuously in operation since that time, although the method of participation has been changed several times.

"We believe that the operation of the plan has been a success. In fact, it is often quoted as being one of the outstanding examples of successful profit sharing, chiefly because it has been in operation for a comparatively long time."

A company booklet gives details of the revised plan.

#### PUBLIC SERVICE CORPORATION OF NEW JERSEY.

NEWARK, N. J. 1913.

(1916) The company purchased 3,000 shares of its stock in the open market and sold it to its employees upon the instalment plan. Instalments could be as low as \$1.50 a month, at which rate a subscription for one share would be completed in about six years. Stock cannot be disposed of until fully paid for except with the consent of the welfare committee. Employees are also allowed to buy stock outright on condition that it be held three years. The company is convinced that the plan is successful, from the fact that the allotment was considerably over-subscribed.

(1919) Dudley Farrand, assistant to the president, writes, December 24:

"This company has a welfare plan covering sick benefits, pensions and insurance, which has been in effect since January 1, 1911. We have, however, no profit sharing plan in the broad sense of the term. It is true that a number of our employees are stockholders in the company, and some of this stock was acquired on deferred payments, under arrangements we were able to effect with a trust company before the war, but owing to the extreme burden which has been thrust on all utilities by reason of increased operating costs the plan is not now operative except as to those who have not yet completed payments. As a matter of fact, we do not



know of any public utility which is able to offer a profit sharing plan under present conditions."

RAND, McNALLY & Co.

PUBLISHING AND PRINTING. CHICAGO, ILL. 1879.

(1916) In 1879 the company began to interest the foremen and heads of departments in the business by distributing among them shares at par value, the terms of payment (largely out of dividends) being made easy; no man could hold over ten shares. This plan working well, the firm in 1886 admitted to its benefits the older and more skilful workmen.

H. B. Clow, the president, wrote March 23, 1916:

"Then the stock was available for that purpose. It could be purchased by the company and sold to the employees at par. But at the present time there is no treasury stock available and the only stock that can be used for this purpose is that which can be purchased in the open market by the company and resold to employees at the purchase price. We still favor such purchases by our employees and there is now no limit as to the amount of stock they may secure."

(1919) H. B. Clow, president, October 9:

"We do not have a profit sharing plan and never did, although at one time we permitted employees to buy stock in the company at a fixed price and on easy payments."

REPUBLIC IRON AND STEEL COMPANY.

NEW YORK.

(1916) This company maintains a stock subscription plan very similar to that of the United States Steel Corporation, but applying only to heads of departments. No detailed description of the system has been issued.

(1919) John A. Topping, chairman, October 8:

"Our general profit sharing plan reported to you in 1916 is still in effect in principle, the only changes made being of minor detail. It affects about 300 employees, or reaches down to heads of departments and foremen, including those only who are directly responsible for profits and losses. In other words, it is a modification of the plan adopted by the

United States Steel Corporation, and involves both cash and stock settlements. Inasmuch as the plan affects only salaried workers, or the grade of foremen and higher officials, it has no effect whatever on strikes. In the opinion of the writer, profit sharing cannot be successfully applied to the rank and file of steel workers. One very great difficulty in working out any co-operative scheme among the rank and file is the fact that about 70% of these workers are foreign-born, but few can either read or write English and the great majority can neither read nor write their own language. They, of course, are ignorant and suspicious.

"I do not think that any of the steel companies extend their profit sharing plan below the line that we reach. The offerings in stock, however, by some of the steel companies has been extended to workmen, but that is not the case in our company. I believe, however, that the sale of stock to any employee is a desirable policy to promote, as the encouragement of stock purchasing among the general employees, undoubtedly has a stabilizing influence."

### ROYCROFT SHOP.

PRINTERS, BOOKBINDERS AND MAKERS OF ART PRODUCTS.

EAST AURORA, N. Y.

(1916) While not operating what can be strictly defined as a profit sharing system, Mr. Hubbard's plan included the sale of stock to employees, upon which a high rate of interest was paid. Mr. Hubbard stated in May, 1915:

"As a general proposition, our conclusion regarding any profit sharing scheme is that unless it can be so arranged that the employee feels he is getting this particular benefit *through his own effort* (and that unless he puts forth an effort he won't get it), there can be no complete success to the scheme. Something that is given for nothing is not appreciated."

(1919) From a representative, October 29:

"The report of our company in regard to its profit sharing plan which you have heretofore published is O. K. for republication. We have no suggestions or alterations to make."



## SHAFT-PIERCE SHOE COMPANY.

FARIBAULT, MINN.

(1919) W. S. Shaft, president, November 20:

"We are operating under a stock ownership plan of profit sharing. For several years the heads of departments have been owners of stock in this business, but recently we have sold small, medium and rather large blocks of the (common or voting) stock to the rank and file of our employees. Our average number of employees is upward of 250. It has put new interest in their work and a desire to economize on time and materials.

"Our plan puts fully 50% of the company employees, from the night watchman to the president of the company, on exactly the same basis from standpoint of profit sharing. The stock is sold to all at the same price per share, each share has a vote and each participate in the profits in exactly the same manner, share for share alike. We arranged with our bankers to finance those who felt the need of it, so that the stock is paid for when issued, but they are given reasonable time to meet the bank loan.

"We have had no labor troubles during the past fifteen years, but have felt a desire for closer co-operation of our employees toward the business, and closer personal contact by the executives and the men behind the guns. We think it a good move, our bankers approve of the plan and our outside stockholders are delighted with the idea.

"In addition, we some time ago purchased insurance on all employees grouped together. The premiums are borne wholly by the company. These policies range from \$500 to \$2,000 on each person according to the length of their employment by us."

## STUDEBAKER CORPORATION.

SOUTH BEND, IND. 1913.

(1916) The employees who share in the profits include only executive officers, important clerks and foremen. These are divided into four groups, the more important of the employees receiving a greater percentage.

The profit sharing fund is estimated as follows:

Out of the net profits 7% is paid upon the preferred stock; 5% upon the common stock, and a certain sum is set aside for the special surplus account for the amortization of the preferred stock. Then 12% of the balance of the profits remaining up to \$1,000,000; 14% of such balance in excess of \$1,000,000 and up to \$2,000,000, and 15% of such excess over \$2,000,000 constitute the profit sharing fund. Payments to the first three classes are made in 50% common stock and 50% cash, while payments to the fourth class, which includes the foremen, chief clerks, etc., are made in cash only.

The stock is delivered in instalments, 25% after the first year, 25% after the second year and 50% after the third year. Any dividends accruing are promptly paid the participants. Employees who resign during the year lose all right to share in the profits of that year, and forfeit to the company 20% of the common stock held for their account from the bonus of the previous year.

The company reports: "We find it very satisfactory."

(1919) The assistant to the president writes, November 10:

"On August 5 of this year we adopted certain co-operative plans. These are, in effect, dividends on continuous service which, when rendered by employees, becomes a material contribution toward the successful conduct of our business. Included therein are the economies of a reduced labor turnover, and the rise in standards and quality which are bound to result from the skill which comes with familiarity with responsibilities and duties.

"The cost of these co-operative plans are fixed charges of the business and are therefore in the nature of dividends preferred. The plans contemplate a definite compensation or reward for specific services rendered, or conditions fulfilled, and in this respect are prior obligations on the fruits of the business.

"Although these co-operative plans have been in effect but two and one-half months, the results thus far obtained are highly satisfactory and justify their initiation. Of 3,600 employees in our South Bend works, 30% have participated in the stock purchase plan. In Detroit, where we employ



6,000 men, this percentage is 6, due to the fact that up to this time the efforts of our co-operative department to place the advantages of participation before our employees have been confined entirely to the South Bend works.

“Our anniversary check plan, which is a liberalization of one in effect for the past three years, has, through previous experience, demonstrated its value. Likewise the pension plan, which is a liberalization of one heretofore in existence; it carries an intangible benefit and discharges an obligation which requires no comment.

“Our vacation plan, under which factory employees and all wage workers receive annual vacations with pay, is, so far as we know, a plan not up to this time adopted by any other large manufacturer. The vacation plan was very fortunate in its conception and has without doubt made an exceedingly strong appeal to our men. They have appreciated it to a remarkable degree and in such a manner as to justify it without doubt.

“In addition to the co-operative plans above referred to, we have for the past five years distributed a percentage of our profits to certain important officers and employees who by reason of their respective positions have contributed in a large measure toward the success of the organization. This direct profit sharing has been confined to managers of departments, superintendents, etc., and from year to year has undergone changes with the idea of increasing its effectiveness. It is now in the process of revision and we shall be glad to advise you of its scope and character so soon as these revisions are completed.”

As described in the company's booklet on the subject, the main provisions of the profit sharing plan are:

“Employees who have been in the service of the corporation for three months or more, may have common or preferred stock purchased for them by the corporation for their account in amounts limited each year to 20% of their annual earnings, and to \$400 market value of stock at the time of purchase.

“Applications for purchase of stock must be accompanied by an initial payment of 10% of the estimated purchase price, and the remaining 40% thereof, which is payable by employees, must be paid in four years in instalments of one-fifteenth of the amount every three months after the date of purchase.

"The corporation will fully absorb the remaining 50% of the cost of the stock (provided employees keep up their payments and remain in its service continuously for four years) by crediting employees' accounts every three months with one-sixteenth of its half of the cost of stock purchased.

"All stock purchased under this plan will be charged to employees' accounts at cost, and 4% interest will be charged quarterly on the unpaid balance of the purchase price, after deducting payments by employees, and credits by the corporation. All cash dividends (and stock dividends paid on the common stock) will be credited to the accounts of employees and the excess of dividend credits over interest charges will act as a reduction in the amount of the final payment to be made by employees in the last year.

"Stock certificates purchased for the account of employees will be held by the corporation in its name until the expiration of the fourth year when, if payments are completed, they will be delivered to employees. In the meantime voting proxies will be given to employees in advance of all stockholders' meetings in order that they may vote the stock held for their account in the election of directors.

"If and when 20,000 shares of common stock are purchased and held by or for employees under this plan, the directors will recommend to the stockholders' meeting, the election, as a director of a representative of employee stockholders, which representative shall be nominated by employee stockholders in an election held for this purpose."

### SWIFT & Co.

MEAT PACKERS. CHICAGO, ILL. 1904.

(1916) The company purchases its stock on the market for an employee when so requested, on an initial payment of 10%, taking his note for the balance, bearing 6% interest, the dividends going to the employee. No restrictions are placed upon the sale of the stock purchased by an employee, and the company does not pay any bonus in addition to the regular dividends.

About 3,500 of the 35,000 employees are stockholders. Most of these are office employees, managers, salesmen, superintendents and foremen. The rank and file of the workmen do not participate to any extent.



(1919) F. S. Hayward, secretary, November 17:

"We have a stock ownership plan in operation and have had for a number of years. A good percentage of our employees have taken advantage of our stock ownership plan. It is impossible, however, to state definitely the results obtained through this proposition in respect to modifying the tendency toward labor troubles, but we feel that it is both beneficial to the employee and the company. Our plan is not limited to heads of departments but is open to all employees, who have been in continuous service for six months or more, the idea being to assist the employees in saving and investing their money, in which respect we feel the plan has been successful."

A circular, May 19, 1919, announced:

"To encourage saving on the part of its employees and with the particular purpose of interesting in Swift and Company stock those employees who are not now shareholders, especially the plant employees, the directors of Swift and Company have decided to sell a portion of the Swift and Company stock held in the treasury to employees at \$100 per share. This offer is open to all employees, whether they are shareholders or not. In order to participate in this plan, employees must have been in the service continuously for not less than six months, but employees who have been absent with the colors are considered as having been in continuous service. Amount of stock to be allotted to each employee will be fixed according to wage or salary, ranging from one (1) to five (5) shares, as follows: Weekly wage or salary up to \$20, 1 share; \$20 and up to \$30, 2 shares; \$30 and up to \$40, 3 shares; \$40 and up to \$50, 4 shares; \$50 and over, 5 shares."

Swift and Company has recently established a department of employees' relations under the direction of John Calder. It will be the chief object of this department to cultivate and further develop the human element in the business. There are now 23,000 employees who have shown their interest in the company by subscribing for its shares. The employees' benefit association, which last year took care of 9,100 persons and paid benefits amounting to \$398,000, and the pension fund and various social activities.

## TODD SHIPYARD CORPORATION.

NEW YORK.

(1919) William H. Todd, president, November 11:

"We have stock ownership plan in operation among our employees in all subsidiary plants of the Todd Shipyards Corporation. Plan was installed July, 1916, and is still in operation. At Robins Dry Dock and Repair Company plant, for instance, the average number of employees is 4,500, with approximately 900 employees participating in stock ownership plan under agreement No. 1, dated July, 1916. We anticipate allotting 1,500 shares in the very near future to the steady employees of Robins Dry Dock and Repair Company plant, one to each employee, under agreement No. 2, dated October, 1917. This procedure will apply to all our companies.

"The feeling toward the plan is whole hearted, in view of the fact that the corporation allots a share of stock without any expense to the employee, who becomes owner of stock upon same reaching maturity according to agreement and receives dividends from date of allotment.

"We have built and maintain athletic fields that are under the direct supervision of our employees who, indulge in all kinds of outdoor sports."

## UNION SWITCH AND SIGNAL COMPANY.

SWISSVALE, PA. 1911.

(1916) The common stock is offered to all employees except directors and general executive officers at \$75 a share. Payments must be made in monthly instalments of not less than 2% of the value of the stock, and subscriptions must be completed in fifty months. Dividends are credited on the stock after 24% of its value has been paid in. If the employee leaves his stock with the company after it has been fully paid up, he receives in addition to the regular dividend an extra \$5 per share for every year he remains with the company until \$25 has been paid on each share, thereby reducing its actual cost to \$50 per share. During the first four years under this offer, 1,956 shares were sold to 450 employees, and the company considers the plan a success.



(1919) A. L. Humphrey, president, December 16:

"In 1911 the company allotted 2,000 \$50 shares of its common stock for subscription from employees, grouped in three classes according to wages earned. The privilege was extended to all the employees, except directors and general executive officers, and the right to subscribe expired in a limited period, about sixty days. The price was \$75 for each \$50 share, payment being required at the rate of not less than 2% per month. All dividends were credited to the subscriber after payment of 24% of the purchase price. When the stock had been fully paid for, it was optional with the purchaser to accept the regular stock certificate or a so-called 'participation certificate.' The latter was non-transferable, but entitled the holder for a period of five years to a participation dividend of \$5 per share per year in addition to the ordinary dividends. At the end of five years (in which time the difference of \$25 per share between the par value of the stock and the price paid by the subscriber had been returned in participation dividends) the participation certificate was exchanged for an ordinary stock certificate. This exchange could be effected earlier but in such case the bonus was forfeited. After payments on the stock had been completed, the owner, whether holding a participation certificate or a regular stock certificate, was entitled to vote the stock, but in the case of a participation certificate holder the vote was exercised through the treasurer of the company, who held the stock in trust.

"At the time the plan was instituted the company's employees numbered about 2,300, of which 642 became subscribers for a total of 2,758 shares, the original allotment of 2,000 shares being necessarily increased to provide for the over-subscriptions. The five-year period on the few remaining unmatured agreements will expire with the current year 1919, and there will have been issued under the plan 2,366 shares to 523 subscribers, the difference of 392 shares and 119 subscriptions being explained by lapsed agreements.

"The plan was adopted by Mr. Westinghouse, no doubt, with the hope and aim that through its operation there would be developed on the part of employees a conscious sense of their partnership in and identity with the affairs of the company, coupled with a desire on his part to sow the seeds of

thrift and the habit of saving; and the further desire to reward the responsive by enabling them to secure what was believed and has proven to be an unusually profitable investment. No doubt, also, Mr. Westinghouse had in mind the advantages to the company in a body of loyal and contented employees, with a realizing sense of the interdependence of their own prosperity with that of the company and all that this would mean in minimizing labor troubles.

“While there is room for some difference of opinion as to the effectiveness of the plan, it is probably safe to say that the desired results were in a considerable measure achieved. Whether such a plan would justify itself under present conditions is another question.”

(1919) T. S. Grubbs, vice-president, September 9:

“Under the plan the annual return of premium did not commence until final payments for the stock had been made, and there are accordingly some transactions which have not been completed, *i.e.*, the trustee is holding stock for the purchasers, and the final repayment of bonus with delivery of the stock will not take place until as late as January 1, 1921. The stock now held by the trustee is not Union Switch and Signal Company capital stock, but shares of the Westinghouse Air Brake Company into which the United Switch and Signal Company stock has been converted, the Air Brake Company having exchanged its shares for stock of the Union Switch and Signal Company and now owning over 99% of the outstanding stock of the Union Switch and Signal Company.

“While there is room for some difference of opinion as to the effectiveness of our plan, it is probably safe to say that the desired results were, in a considerable measure, achieved, particularly with respect to labor troubles; although, as a matter of fact, there have been two strikes on the part of our employees since the allotment of stock, but we feel that these strikes were almost purely sympathetic. Whether such a plan would justify itself under present conditions is a question, and so far as the writer knows no consideration is being given by the management at this time to a further allotment of stock under this plan. An industrial relationship committee has recently been formed among our employees, upon the suggestion of the management, and the latter feels that such agency promises the most effective



results in establishing and maintaining the best relationship between the company and its employees.”

(1919) O. W. Buentling, manager of works, November 13:

“We have a relief department and a pension system on a very liberal scale; and also, in case of death of an employee who has been in the service of the company for two years or more, a system of monthly payments amounting to 30% to his widow during widowhood and for two years after remarriage, as well as 10% additional for each child under 16 years of age, up to a total of 60% of wages or salary, based on not more than \$100 per month.”

#### UNITED STATES RUBBER COMPANY.

NEW YORK. 1912.

(1916) A certain sum is set aside each year for distribution among such officers and employees of the company as are selected by the executive committee. Those employees whose salaries are over \$5,000 receive 60% of their share in cash and the remainder in conditional certificates of interest in the common stock of the company on the basis of \$50 a share. All other employees receive their portion of the distribution in cash.

Participants receiving stock who remain with the company until 1920 and render satisfactory service until that time will receive the stock called for by the conditional certificates. During this period employees receive all dividends declared on the stock held for their account. In the event of leaving the company or being discharged such participants forfeit all right to the stock, which goes into a fund to be distributed among those participating officers and employees who remain throughout the period stated.

There is also a stock subscription plan, under which the officers and employees who receive wages above \$1,300 are permitted to subscribe for shares of common stock at \$50 a share. The maximum amount for which an employee may subscribe is determined by the executive committee, varying according to his salary and position. At least \$5 must be paid monthly on each share. Interest at 5% is charged on all unpaid balances.

All dividends paid on the stock are credited to the account of the subscriber until the stock is fully paid and issued to him. If the subscription is canceled before the stock is fully paid for, the exact amount of payments will be returned with 5% interest, no credit being given for dividends and no interest being charged on deferred payments.

To induce employees to keep their stock for at least five consecutive years, the company makes a cash payment of \$3 a share for each of the five years. Upon retaining stock for that period and remaining in the service of the company, the latter pays still further compensation from a special fund made up of forfeited stock, which is also credited with 5% interest.

(1919) John D. Carberry, assistant secretary, October 9:

"The profit sharing plan of this company has not been changed since its adoption in 1912. All employees who are receiving \$25 per week or over are eligible to subscribe to the common stock. Those who receive \$10,000 per annum or over participate in the plan upon the \$10,000 basis and no more.

"The plan has been beneficial to both employer and employee. The average number of employees participating at the present time is approximately 3,500."

### THE UNITED STATES STEEL CORPORATION.

NEW YORK. 1903.

(1916) Under this plan, the employee purchases stock in the employing corporation, pays for the same in instalments, and, in addition to the regular dividends, receives a bonus of so many dollars per share in consideration of his not disposing of the stock or leaving the company's employ for a certain fixed period of time.

A number of the largest companies in the country have adopted this plan. The United States Steel Corporation has used it longer than has any other company and its scheme seems to be the model in this field. Other companies which have closely followed its plan are:



United States Rubber Company;  
National Carbon Company;  
Union Switch and Signal Company;  
International Nickel Company; and  
American Telephone and Telegraph Company.

Some of the essential features of the Steel Corporation plan are:

Every year the corporation offers preferred and common stock for sale to its officers and employees at cost slightly below the market value.

Subscriptions are paid in monthly instalments, to be not less than \$2.50 per share for preferred stock and \$1.50 per share for common stock. No instalment can exceed 25% of the month's salary. Interest at 5% is charged on deferred payments.

All dividends are credited to the account of the subscriber, and the total of payments and dividends must fully pay for the stock within three years.

To induce the employee to keep the stock after it is fully paid up and delivered to him, a bonus of \$5 for each preferred share and a bonus of \$3.50 (increased to \$5 in 1916 subscription) for each common share are paid to the employee at the end of each year upon presentation by him of the certificate of stock to the treasurer of the company. This continues for five years.

Non-paid-up subscriptions may be canceled, and the money which has been paid in is refunded to the employee with 5% interest. Premiums are not paid to employees who cancel their subscriptions, sell their stock or leave the employ of the company. An official of the company states that: "If there is a large advance in the market price he may figure that more money will be made by selling it than holding for the special fund."

The forfeited or unpaid premiums are kept in a fund and divided pro rata among the remaining shareholders under this plan at the end of the five-year period. For the first five-year term this fund amounted to \$65.04 per share; a notable "bonanza" for the remaining stockholders, it is true, although revealing on the other hand, the large proportion of withdrawals and cancellations which must have taken place during that period. The end of the second five-year period showed a special bonus of a little over \$19 per share and has been about the same each year since.

In the event of the death of an employee who has subscribed for stock and made payments under this plan, his estate receives the unpaid premiums for the full five-year period and a pro rata share of the undivided premiums at the time of his death.

The following statement is made by an official of the corporation:

“It is impossible to ascertain how many employees in addition to those yet receiving the special benefits that continue for 5 years hold stock upon which these special benefits have ceased to be paid but it is conservatively estimated that it would increase the number to about 50,000.”

The reports issued by this corporation in 1915, applying to the year 1913, show the following condition:

Average number of employees.....	228,906
Number of employees holding stock in company and receiving a bonus of \$5 per share .....	35,026
Number of shares of capital stock outstanding .....	8,685,836
Number of shares of stock held by employees .....	146,462
Salaries and wages paid to employees.	\$207,206,176
Amount expended by company account of stock subscription plan, approximately .....	\$1,000,000
Proportion of employees holding stock and receiving a bonus thereon.....	15%
Proportion of outstanding stock held by employees upon which a bonus is paid .....	1 7/10%
Cost to the company of stock subscription plan compared with salary and wage bill.....	one-half of 1%

On December 19, 1915, there was announced in the press a special distribution of bonuses of nearly \$2,000,000 to officers, heads of departments, superintendents and minor executives. This is based on the enormous profits for the calendar year, one of the best in the company's history; and is in addition to the profit sharing plan for the employees above described.



(1919) C. L. Close, manager Bureau of Safety, Sanitation and Welfare, November 19:

"This plan was put into force in 1903 and has been continued each year since, with the exception of 1915, when it was discontinued for that year due to the unsettled business conditions. Here are the subscriptions for the years 1916, 1917, 1918 and 1919:

	No. of employees subscribing:			
	1916	1917	1918	1919
Employees receiving less than \$800 per year.....	7,288	3,253	1,920	1,473
Employees receiving \$800 to \$2,500 per year.....	16,272	33,443	37,236	46,676
Employees receiving over \$2,500 per year .....	1,583	2,556	4,621	13,175
Total .....	25,143	39,252	43,777	61,324

	No. of shares of stock to September 1:			
	1916	1917	1918	1919
Employees receiving less than \$800 per year.....	8,961	3,253	2,252	2,148
Employees receiving \$800 to \$2,500 per year.....	31,952	52,680	72,865	101,764
Employees receiving over \$2,500 per year .....	9,356	11,819	21,537	54,149
Total .....	50,269	67,752	96,645	158,061

CHARLES WARNER COMPANY.

MANUFACTURERS AND DISTRIBUTORS, CEMENT, LIME, ETC.

WILMINGTON, DEL. 1912.

(1916) Surplus profits are distributed by this company in the form of its common stock, which it purchases for the purpose in the open market. One-third of the net surplus earnings, after payment of 7% dividends on preferred shares and 6% on common stock, is set aside for distribution among the employees.

The stock assigned to the participating employees is held for them for a period of five years, meanwhile all dividends being paid to them in cash. In the event of death, resignation

or lay-off, stock is promptly issued to the employee or his heirs.

The executive committee of the company reserves the right to withhold the stock from any employee for cause, such stock then reverting to the profit sharing fund. Only employees who show special effort in the company's service are entitled to participate in the surplus profits. The distribution is not in proportion to wages, but all employees are divided into four classes, A, B, C and D, according to efficiency; the A group receiving the maximum share and the D group the minimum. All employees are eligible except officials of the company and wagon drivers, yard helpers, etc.

There is also a stock subscription plan, under which every January the company offers to its employees its first and second preferred stock at a price slightly lower than the market value. Each employee may subscribe to an amount not exceeding 30% of his salary. The lower salaried employees receive preference if the allotment of stock is oversubscribed. The company purchases this stock in the open market, for resale to subscribing employees.

Payments are permitted in instalments of \$2.50 per share, to be deducted monthly from the salary check. Interest is charged upon the unpaid balances at the rate of 5%, this being deducted from the regular dividends of 7%.

The company reports it does not regard the plan as an unqualified success, for it has been unable to increase its earning capacity. During years when no distribution was made a very unsatisfactory feeling was caused among the employees. The management believes thoroughly in the principle of profit sharing, but states that "it is hard to make the average employee be satisfied with the working out of these principles, if there happen to be two or three poor years and the profits do not develop above the dead line."

(1919) Charles Warner, president, October 13:

"Our plan covers approximately the following: We set aside at the end of each year a cash sum amounting to one-third of the company's earnings in excess of 6% on its common stock. This fund is applied to the purchase of common stock in the market. This stock so purchased is distributed each year among the higher group of employees; that is, managers, superintendents, foremen, clerks, and so forth.



We do not make any distribution to the laboring classes. These receive only their day wage or their piece-work basis as the case may be.

"The plan is still in force and so far as we know our employees are pleased with and appreciate the company policy. Our total number of employees at this time is between four and five hundred, and somewhat over one hundred participate in the stock distribution. There has been no change or modification in the plan since 1916. So far as we can tell the plan is favorably regarded by those who receive it, since we feel that we have a very loyal and active working force among the group mentioned. We never have any collective labor troubles with the group that receives this stock. There are of course occasional individual cases which have to be handled on their own basis.

"We have not introduced anything new since 1916 except that in the working class group we are constantly striving to get away from the day wage and to get every department of work on a piece-work basis that is possible. We do not feel that the size of our company, the nature of its business, nor the extent to which we conduct our present plan, is any special test of the ability of allaying unrest."

#### YOUNGSTOWN SHEET AND TUBE COMPANY.

YOUNGSTOWN, OHIO. 1913.

(1916) Stock is offered to heads of departments and their chief assistants at a price considerably below the market value, varying according to the length of service of the subscriber. About 125 are eligible. Interest is charged the employee at 5% on the unpaid balance and all dividends in excess of this interest charge are credited to the stock, together with such cash payments as the employee may elect to make. No certificate is issued in less than two years from the date of subscription.

The company also pays a bonus to all employees, whenever earnings justify it. This bonus is based on the wages of each employee during the year. Officers of the company do not participate. The bonus has ranged from 3% to 6% on yearly wages. It was announced in January, 1916, that the

annual distribution in March would be at the rate of 5%, the total amount being about \$350,000.

The company reports that the stock plan is a success, but that the bonus distribution has developed several bad features, including tendency on the part of the employees to spend their bonus money carelessly or to plan expenses in anticipation of the extra payments.

(1919) J. A. Campbell, president, September 23:

"We have no profit sharing plan in effect and have not had since 1916. We were of the opinion at that time that this had more or less to do with the unrest in this community and possibly was responsible for the strike at that time. As you may know, this strike originated at the plant of the Republic Iron and Steel Company, which is adjacent to our plant, their men claiming that our profit sharing plan resulted in our employees receiving higher wages than they did for the same kind of work, and they struck for an increase in wages and induced our employees to strike also.

"For that reason we abandoned the profit sharing plan, which we had in effect for six years, and now we pay a bonus only to our heads of departments and other important employees who have charge of any considerable number of men. This bonus is paid at the end of the year and is based largely upon the earnings of the company, and has run in the past from 12½% to as high as 100%, being graduated according to the responsibility of the men. This bonus is not fixed at any particular percentage of the salary of the employees, and no bonus is paid unless the company makes more than reasonable percentage for our stockholders. We have had in mind working out some fixed plan but as yet have not done so.

"In addition to this, we expect sooner or later to sell to our employees stock of the company under a long time payment plan. Our stock, however, has been selling at \$325 to \$350 per share, and the dividend paid does not warrant this price, and until such a time as we can issue a stock dividend and force this stock down to somewhere near par it would be unwise for us to try and arrange for the sale of this stock, for the reason that our employees would not be justified in purchasing it.



“We are very strongly of the belief that this is the best method of preventing industrial unrest and is best for our employees, as they are obliged to save a certain percentage of their earnings. We are very strong believers in the plan of the United States Steel Corporation in this respect and hope to put some plan in operation as soon as the Supreme Court decides (if it does decide) that stock dividends are not income.”

## EXCEPTIONAL PLANS.

This chapter heading does not ignore the fact that many of the plans described in other chapters show features apart from their strict classification. The "exceptional" herewith given might rather be described by the phrase "diverse" plans. They are quite too many to be called exceptions. They hardly run together and certainly do not belong to any other chapter. They present variety. They indicate that by many methods employers are feeling the way to settling their plans, each seeking arrangements best applicable to conditions in his establishment. The endeavors of some of the smaller companies as here recorded are significant of the adaptability of the live business man to the exigencies of his special case.

The ideas and purposes of the conductors of some of the widely discussed ambitious experiments are set forth in condensed but authoritative form. It is to be noted that most of the companies concerned distribute pamphlets, some of which are voluminous and set forth in full both methods and the reasons for adopting such methods.

[The date (1916) indicates that the printed matter following appeared in the edition of this book for that year; (1919) or (1920) indicates the date of the new report. A date in a sub-heading indicates the year in which the experiment under notice began.]

### ASHLAND FIRE BRICK COMPANY.

#### ASHLAND, KY.

(1919) E. M. Weinfurtner, treasurer, November 18:

"All of our employees who have been in continuous service with the company beginning at the first payroll in January and ending the last payroll in December are qualified to participate. We allow two months for absence which may be due to accidents or sickness. After 6% of the invested capital has been set aside for the stockholders the remainder



is divided on the basis of 85% to the stockholders and 15% to the employees, the latter percentage being paid out in cash annually. The total amount of wage of those participating is divided into the total amount set aside to secure the percentage, which each will receive based upon the annual wage or salary which he received. The 15% already referred to is divided into two classes A and B, A receiving 5% and B 10%. A consists of the officials, clerical force and superintendents, while class B takes in all those which are not included in Class A.

“Below is some data covering the plan for the three complete years in which it has been in operation:

	1916	1917	1918
Number of men employed January 1.....	265	256	307
Number participating .....	184	216	188
Percentage of men continuously employed throughout the year .....	70%	84½%	61%
Rate for Class A .....	31.2	41.9	16¼
Rate for Class B .....	14.7	9.97	7.05
The largest amount received in class B..	\$161.75	137.53	132.26
The smallest amount received in class B.	42.50	41.87	26.35
Average .....	89.98	80.49	68.75

“The smaller number of men participating in the 1918 distribution as compared with the number employed at the first of the year was due to the large number of our men who went to the service. The feeling toward the plan is we believe very good, and we have reason to believe that our employees appreciate it and it has done much to keep them with us.

“While the idea of making the distribution annually may be criticized still it has its advantage from this point, that after the seventh to the eighth month those who up to that time are qualified to participate are reluctant to make any change if they feel so disposed until after the first of the year. Our employees are to a considerable extent interested in the welfare of our company and have given their individual efforts to make it successful.

“During the three years the plan has been in effect we have had no labor troubles, although we would hesitate to say that the profit sharing plan was responsible for this, since in our dealings with our employees we have been able to rub elbows with them and to meet them personally in and

about the works, and the feeling has always been very cordial between the management and the employees.

“In addition to the profit sharing plan we have group insurance, in which each employee is given a life insurance policy for \$500 after three months of service, which is increased annually \$100 until a maximum of \$1,000 is reached.”

#### THE A. W. BURRITT COMPANY.

LUMBER AND TIMBER. BRIDGEPORT, CONN. 1902.

(1916) The plan of the A. W. Burritt Company of Bridgeport, Conn., is unique among profit sharing plans. It is, in substance and effect if not legally, a co-partnership between capital and labor. It is the only one of the plans investigated under which the employee “takes a chance” in the sense of sustaining an actual and tangible financial loss if the business itself suffers a loss.

The company is engaged in the lumber business and has 250 employees, of whom about 100 are affected by the plan. The plan is limited practically to the skilled workmen, of whom not more than three-quarters are allowed to participate for the reason that the business is subject to fluctuations and the company does not wish the contract to apply to a larger force than it can be reasonably sure of providing with steady work. Employees desiring to participate execute a profit and loss sharing contract with the company by which they agree to share the profits and losses of the business.

Under the arrangement the company retains each week one-tenth of the employees' wages to be held by it as a reserve fund, from which to make good their share in the losses, if any. In case of no loss, this reserve money is refunded to the employees on or before the end of each year.

The profits and losses are ascertained as follows: An inventory is taken on February 1 of each year. From the gross results thus obtained shall be taken all expenses of every kind, including depreciation of buildings, tools and machinery, and bad debts; and the results of the above shall be considered the net gain or loss, as the case may be. If the result thus shown shall be gain, the capital actually invested as shown by the inventory at the close of each year



shall first draw 6% interest (or in case there is less than that amount shall draw what net gain there is, in liquidation of its claim); the balance then remaining shall be divided between the company and the participating employees in such proportions as their total wages for the current year bear to the actual capital invested.

In case there should be a net loss made on the business of the year, without figuring any dividend for capital, the loss is divided between the company and participating employees in the same manner as described for dividing profit; but the employee in no case becomes responsible for losses greater than the amount reserved from his wages.

Other significant sections of the contract are the following:

“The party of the first part can at any time discharge any party of the second part from its employ and require him to withdraw from this contract, but in such case said party of the second part shall have the option to withdraw his full reserve or to leave it until the end of the year to share in results as above described.

“It is further agreed by the party of the first part that no party of the second part shall be temporarily retired from work so long as the party of the first part has any work of the kind said party of the second part is accustomed to do; but if there should be a shortage of work in the hands of the party of the first part it shall reduce the hours of work and so divide the work between the parties of the second part. If at any time any party of the second part should become sick or incapacitated to perform his duties, and has the certificate of a reputable physician that he is so incapacitated, after two weeks duration of said sickness, said party can draw on his reserve wages at a rate not greater than \$6 per week, without affecting his interests in the profits at the end of the year. Further, if any party of the second part should become injured on account of any accident while in the employ of the party of the first part, said party of the first part shall, at its own expense, provide him with a competent physician or surgeon, after application is made to it stating that such services are needed.

“If any of the parties of the second part wish to inquire into the accuracy of the annual report made to them by the party of the first part, the books of the party of the first part shall be opened for inspection by any reputable public accountant employed by the party of the second part, provided such accountant will agree to confine his report to

the statement that the company's report was or was not correct, and if not correct shall fully define its error.

"It is agreed that all differences and disputes resulting from the operation of this contract shall be settled by arbitration."

The company states that the employees affected have averaged a profit of about 6% on their annual incomes. There has never been a loss since the inception of the plan. The nearest approach to a loss was in the year 1908. At the beginning of that year a meeting of the profit sharing employees was called by the company and they were plainly told that the company was looking forward to a year in which there would probably be a loss, and that if there were any faint-hearted among them they might retire without creating offense. The employees stated that they had shared the profits and did not expect to run in case of adversity. Not a single employee withdrew, and an official of the company states: "We have very little fear that a single year's loss would affect them very seriously. Of course, if it should continue for more than a year, it would be very likely to cause many or most of the men to withdraw. But we think they would stand one year without serious effects."

The same official says further: "I feel safe in saying that the local unions in our town and in our trade believe that our profit sharing plan is a good thing for our employees, and it has been the means of maintaining a friendly relationship with organized labor, even at times when we were strenuously opposing their methods and their demands."

With reference to the motive of the company in making the experiment, this official states: "Our object in going into this thing was to get the hearty co-operation of the workmen, with the feeling on our part that the price we were paying for such co-operation was the percentage of profit which this contract produced. It was more a business proposition with us than a philanthropic one."

(1919) A. W. Burritt, treasurer, September 4:

"Our plan is still in force with satisfactory results. There have been no changes or modifications. The employees seem to be pleased with it. We have had no labor troubles, and so far as we know, no prospects of any.



"We have practiced stock selling to executives and profit sharing with workers for a long number of years with profit and satisfaction to all parties concerned.

"Perhaps the most important comment that we can make at this time is that in our opinion any plans of this nature, in order to be successful, are vitally dependent on the person who has their introduction and care in charge. Human personal relationship; mutual confidence; close attention to individual worth; honest remuneration; a clean, attractive sanitary shop, and a square deal without charity are the important points. Such things will not run themselves, therefore the vital feature is in the hands of the man who manages these relations with the employees."

The company issues a pamphlet describing its plans.

(The Grand Rapids Refrigerating Co. has provision for sharing losses.—ED.)

### CLARK EQUIPMENT COMPANY.

BUCHANAN, MICH.

(1919) Eugene B. Clark, president, November 14:

"Our profit sharing scheme is in effect a combination of profit sharing and partnership through stock purchase. It was established January 1, 1916, and has been in effect continuously since, subject, however, to a few very slight changes. Our average number of employees is about 800 at present, though it has run as high as 1,200; 50% of our present force are stockholders and participants under this plan. The feeling toward it by our employees is extremely favorable, inasmuch as it has always been profitable for its participants.

"We cannot say just what effect this plan has had on modifying the tendency toward labor troubles. We do not believe that it could be termed a preventive, but it undoubtedly exercises a strong influence, and as one of several plans that we have, that we believe tend to improve the good feeling between employer and employee and to give employees more interest and happiness in their work, it is sure to make our plant, in our opinion, immune to so-called labor troubles. It is not limited to heads of departments, and in fact is so designed as to operate less to the advantage of heads of departments than to the advantage of the rank and file,

though it does not exclude any officer or employee of the company. We regard it as an unqualified success and while we do not consider it perfect, we have not been able to determine during the four years we have had it in effect just where we could greatly improve it." (Descriptive pamphlet.)

COLUMBIA RAILWAY, GAS AND ELECTRIC COMPANY.

COLUMBIA, S. C.

(1919) Edwin W. Robertson, president, November 12:

"We are endeavoring to work out a co-operative store plan, a home building plan, and a bonus or profit sharing plan among our workers. For the past year and a half we have had a profit sharing bonus plan among our men, but it has not worked altogether satisfactorily. They appear to look upon it merely as a fixed raise in wages to be in no wise affected by the earning capacity of the company."

CRADDOCK-TERRY COMPANY.

LYNCHBURG, VA.

(1919) John W. Craddock, November 12:

"We have adopted the following features of benefits and profit sharing applicable to our Lynchburg factories:

"a. About July 1, 1918, we took out group insurance, graduated in amounts from \$500 to \$1,500 on each of our employees of six months or more service; the minimum amount going to the employee who had been with the company six months and increasing \$100 per year up to ten years, making the maximum amount \$1,500. Under this plan, during the influenza epidemic last year we had some ten or more deaths, all of which were paid promptly, and the help appeared to appreciate this insurance very highly.

"b. On July 1, 1919, we put in the profit sharing plan. This provides for a distribution of 10% of the net earnings of the company (before distribution of dividends to stockholders) to the productive factory employees and a similar amount among the executives, departmental, and other non-productive employees. The distribution among the productive employees is semi-annual, while the other group is annual. The first distribution was made on August 1, 1919,



covering operations for the first six months of the year to July 1. This distribution amounted to about 10% of the wages of the eligible employees for the period. The second distribution will be made about February 1 or sooner, covering the last half of the year, and we estimate will amount to probably 16% of the wages of the period covered. This plan has met with almost unanimous approval of our help and has been rather enthusiastically received.

"The average number of employees in our Lynchburg plants is about 1,200, and those eligible under the profit sharing will be from 800 to 1,000.

"c. A co-operative benefit association was put into effect about November 1, 1919.

"d. Our company has also recently set aside a block of its preferred stock, which is 6% cumulative, with a 2% extra, making 8% in normal years. This stock has a market value of \$105 to \$110; but our employees are permitted to buy it, in amounts not in excess of \$1,000, at par, to be paid for in instalments in a period of not over one year, and to receive all dividends on the stock during the time it is being paid for.

"e. We are, also, interested in a home building company, which will sell homes to our employees or other laboring people at practically cost on easy terms.

"Although professional labor leaders have been at work in our community, and particularly on our help, for the last six months, indications at this time are that our help, while many of them have joined the union, are well satisfied with what we are doing for them and a large majority of them, in joining the cooperative benefit association, have signed an agreement to submit all claims and grievances to our shop committee and accept its decision. We are very much encouraged, so far, with our efforts toward establishing proper relations between the employees and the company on an advanced basis consistent with the best thought as regards a solution of this most important problem." (Circulars.)

## DENNISON MANUFACTURING COMPANY.

MANUFACTURERS OF TAGS AND PAPER SPECIALTIES. SOUTH  
FRAMINGHAM, MASS. 1911.

(1916) It was recently reported that this company had solved the problem of democracy in industry by providing that the "wage-earners shall control the business." This was assumed to mean that the stock of the company had been turned over to the two thousand or more employees.

Mr. Henry S. Dennison, the treasurer of the company, in a letter to Ralph M. Easley, Chairman of the Executive Council of The National Civic Federation, under date of May 3, 1915, said:

"I am inclosing a copy of our articles of association and by-laws, also a paper bearing on our industrial partnership plan. These will correct certain misleading statements in recent newspaper articles, since but 220 of our employees are industrial partners. Further, the plan has been in operation since December, 1911, upon the re-incorporation of our company, and the results have been very gratifying."

Under the plan first preferred 8% cumulative stock was issued to the owners of the business to the amount of four and a half million dollars. The company then created a class of what is called industrial partners, composed of employees who have been with the company five, six or seven years and whose yearly remuneration is \$1,800, \$1,500 and \$1,200 respectively, consisting of officers, managers, superintendents and foremen.

After the payment of dividends on the preferred stock and certain other reservations out of earnings are made the additional profits are retained in the business, and against them are issued to the so-called industrial partners what is called industrial partnership stock. This stock is non-transferable and non-assignable. When an employee leaves the service of the company, dividends on his industrial partnership stock cease and the company may buy his stock at par or exchange it for non-voting second preferred stock, which is entitled to a dividend of at least 4% before dividends are paid on the industrial partnership stock. Dividends on the



industrial partnership stock cannot exceed 20%, and cannot amount to more than one-half the net profits after preferred stock dividends are paid.

After one million dollars of the industrial partnership stock has been issued, the entire voting power vests in the holders thereof, to the exclusion of the preferred stockholders, unless the company shall fail to pay the stated dividends on the preferred stock, in which event the voting power reverts to the first preferred stockholders. They regain control if less than 4% is paid in any one year and if a four-year period shows less than the full 8% paid per annum, the voting power returns permanently to the first preferred stockholders.

The plan does not reach the rank and file and is not intended to do so as it is limited to employees receiving \$1,200 per year and upward, so that the number affected by the plan is about 10% of the total number of employees.

The employees do not exercise any control of the business until profits to the extent of one million dollars have been earned over and above dividends to first preferred stockholders, and there are certain other reservations. If they do acquire the voting power, the retention of it by them is conditioned solely by their ability to maintain sufficient profits to pay the dividends on the preferred stock. Certain critics have termed this an ingenious efficiency mechanism for safeguarding the 8% cumulative dividend to the original stockholders, and have suggested that instead of being a benefit to the rank and file, it may be conceived to be a pace-making instrument, because the officials and managers would endeavor to keep the power in their own hands, and this could only be done by earning the full 8% annual dividend for the preferred stockholders, which in turn it is charged would mean the speeding up of the men.

(1919) In December the company issued two booklets describing its industrial partnership plan, which retains its essential features as in 1916. Following are quotations from its statements:

"It is apparent that this plan does not cover the field usually called profit sharing, but confines itself to such problems of corporate structure as the abolition of absentee control, the most effective method for the distribution of surplus earnings, and the gradual knitting into an organized entity of

the older and more responsible employees—in a sense it is a combination of the good points of a corporation and a partnership.

“An analysis so thorough as to deal almost individually with cases of more than 2,000 employees led us to the conclusion that profits depended almost solely on such men as sales managers, senior salesmen, department heads, foremen and the like. . . .

“Principal employees are now limited to those who have had five years or more of service and whose position with the company requires the exercise of managing ability and control over methods of manufacturing or marketing. . . .

“Since its establishment the results of the industrial partnership plan have been as follows:

March	Shares Distributed.	No. of Principal Employees.
1913.....	15,122	167
1914.....	18,604	211
1915.....	12,779	218
1916.....	12,884	228
1917.....	43,752	260
1918.....	19,015	288
1919.....	30,740	320

DEWEY PORTLAND CEMENT COMPANY.

BARTLESVILLE, OKLAHOMA.

(1919) The company announced in December that on January 1, 1920, it would raise all wages substantially and put into effect a plan of progressive sharing in the profits of increased production. To meet its financial obligations, including the wage increase, the company’s production must reach 60,000 barrels of clinker per month. On all production over 60,000 barrels the employees would be paid 10 cents per barrel; over 70,000 20 cents, and over 80,000 30 cents, all to share equally. Each month the share of each man would be deposited in a bank at the regular rate of interest, and on December 31, 1920, each will get a check for the total of his profits for the twelve months plus interest provided he has remained in the employ of the company. The company also provides life insurance for employees in its service for one year.



## EUGENE DIETZGEN Co.

MANUFACTURERS DRAWING MATERIALS, ETC.

NEW YORK.

(1919) R. Fred Allen, vice-president and general manager, November 24:

"This company has had in operation since the year 1890 a plan to compensate managers. The plan provides for the automatic retirement from the business of the managers of all branches after they have accumulated, through having received a certain percentage of the profits of their branch, stock the dividends on which it is assumed will be sufficient to give them a comfortable living. This condition formerly was attained prior to a man's reaching the age of forty, *i. e.*, providing he started with the company in his early twenties. For three years past, a certain percentage of the net profits has been set aside and has been distributed in cash to old and deserving employees, in the ratio that their salary and length of service is to the total salaries paid to those who participate. Our business is divided into two classes, factory and selling organization. The factory has its own staff of managers and each selling branch has its own staff of managers. There are about 275 employees at the factory but as these come and go so rapidly, we have never made an attempt to place in operation a profit sharing plan for the rank and file but for the past two years have set aside a certain percentage of the profits for the foremen, about fifteen in number. I estimate that about 20% of the total number of the employees at the various selling branches participate in the profits set aside by the respective branches for their old and deserving employees as mentioned above.

"Since inaugurating the profit sharing plan with the foremen at our factory, we believe that our labor troubles have been less. The success of the plan as regards managers is unquestioned but we have not yet reached a conclusion in regard to the profit share which is being paid to employees at the various branches in cash. In inaugurating this plan, it was our idea that, since our scale of wages appeared to be as high as what others paid, the profit share paid out at the end of the year would be treated by employees in the

nature of extra compensation but due to the steady increase in wages of all classes, we fear that the annual payments for profit share are being looked upon as simply a part of their salary and we believe that this condition will possibly continue as long as the buying power of the dollar continues to grow less."

C. B. DOLGE & COMPANY.

MANUFACTURING CHEMISTS.

WESTPORT, CONN.

(1919) R. A. Dolge, November 14:

"We have two forms of profit sharing, one for our employees in the office and factory, another for certain of our department heads. We are a small firm, only employing about one hundred people, all of whom participate in one or the other forms of profit sharing. The department head bonus plan has been in force in this company for just one year. In our other company, the embalmers' supply company, it has been in force among department heads for about eight years. The employees' profit sharing plan has been in force in this company and in the embalmers' supply company for two years.

"The feeling toward the plan by those for whose benefit it was intended in our department head plan has proven a big success. Our employees' profit sharing plan has not proven so successful.

"Our employees' profit sharing plan in this company and the embalmers' supply company is to give bonus to employees who have been with us for one year, 5%, for five years or longer 10%, of their wages, provided we have had a successful year and provided their records have been clear.

"We have no labor troubles as we are careful in selecting our help and try to work with them and have a much better class of office and factory help than the average firms in this section. But we cannot say this bonus plan on the whole works out as satisfactorily as it should, although the employees are greatly pleased and appreciate receiving at Christmas time the 5% or 10% bonus, yet it seems to us that in a comparatively short time this is forgotten and during



the year it does not help to increase the efficiency, etc., and that the good results we obtain and the co-operation we obtain from the employees even when consulting them on this plan is due to their ambition to advance and to their desire to be conscientious in their work. It may be due to the fact that we have been lax in not bringing before employees once a month in their pay envelopes the benefits and object of this profit sharing Christmas plan.

"The department head plan has proven far more effective, for our department heads' salaries are not as large as the salaries paid by other firms for similar work, but as the percentage of profit sharing is much larger when we have successful years the salary received with the profit sharing, brings their salaries much higher than paid by other firms.

"We have a fixed profit which we must earn. A certain percentage of all earned over that fixed profit is divided among certain department heads according to the standing of their department toward the success of the business and according to showing made by their department, so that in certain cases, although a department might have a certain amount to its credit on the profit sharing due to the fact that their record was only 75% effective, they would only receive 75% of the amount set aside. This we find has resulted in stimulating each department head to be 100% perfect for his department.

"We have found that our policy of closing each Saturday at 12:00, office and factory throughout the year, even before this policy was adopted by factories, the fact that we keep our office and factory force working all year round even at times when business is dull and it means a monetary loss to us, has helped to secure the loyalty and good will of our employees.

"Another plan which we have found very effective is to have all employees feel that if they have any suggestions to offer or grievances to bring them before the management, and they will receive careful consideration."

## LABORATORY OF THOMAS A. EDISON.

ORANGE, N. J.

(1919) Charles Edison, December 11:

"While we have introduced, or are about to introduce, profit sharing plans in four divisions of the Edison industries, we are as yet in position to furnish information with respect to only one, the Edison Storage Battery Company.

"It is not our intention to work out a general plan that will apply to all divisions, but rather to have a division work out and inaugurate a plan that it is believed will be most suitable for that particular division; then have the other divisions come along with their own individual plans and inaugurate them. It may be that one plan will be very satisfactory for one division but not so satisfactory for another division, or after a trial of the various plans it may be found that a certain feature can be used to advantage in the plans of all the divisions while some other feature can be applied to only one division. For instance, the plan introduced in a large manufacturing division will probably be different from that introduced in a selling division where a comparatively small number of people work under different conditions. I do not believe that any general plan can be used to advantage by all concerns or by all divisions of one concern.

"The Edison Storage Battery Company's thrift dividend plan was inaugurated October 1 of this year. This plan affects all the employees of that division, both manufacturing and selling, about 1,600 men and women. It is working with apparent satisfaction to all concerned so far. We believe it has done much toward creating a better feeling among the workers and between the workers and the management, and it may well be that it has saved that division from possible labor troubles."

A prize money plan was announced to be introduced early in 1920 in the Edison musical phonograph division.

Referring to its thrift dividend plan of the Edison Storage Battery Company workers, the company published the following:

"More generally than ever it is becoming recognized that industry cannot depend on any one of its elements



alone, and with this recognition is coming a better understanding, tolerance, and respect among the industrial forces that were so successful in obtaining pre-eminence in the world of war and that are now working side by side to retain and hold this same pre-eminence in the world of commerce. In other words, it was discovered that when the American employer and employee get together they can beat anything on earth.

"But of course such understanding, tolerance and respect must be founded on sound principles. Various social groups have devoted considerable time and effort towards establishing a set of principles which would be just, and while differences in opinion as to method and application are many, there still remain certain fundamentals to which all are agreed and can without fear of any justified controversy be accepted. These fundamentals are common to many of the representatives of employers, employees, governmental bodies and other interested social groups and may be briefly analyzed into the following:

*Principles Affecting Employees.*

1. The adoption of the eight hour day.
2. A reasonable control of industrial conditions.
3. A fair wage to all workers.
4. Participation in profits.
5. The consideration that rights imply duties.

*Principles Affecting Employers.*

1. A fair return on the money invested in a business commensurate with the skill, enterprise and risk involved.
2. Control of the direction and management of the industrial organization.
3. The consideration that wealth is a trust and that managers are trustees.

*Principles Affecting Employees and Employers.*

1. The consideration that the interests of both employee and employer are irrevocably bound together and deserve the fullest measure of mutual understanding, tolerance and respect.
2. The consideration that both employee and employer owe a duty to the state through the creation of useful wealth and that labor is the law of life.
3. That each appreciates the importance of exercising a true spirit of helpfulness and constructiveness, and be determined to act for the best interests of all.
4. A faithful and religious application of the "golden rule."

"While the perfect execution and application of these principles must come through time and the processes

of evolution, it is worthy of note that admirable progress has been made by the Edison Storage Battery Company toward fulfilling the principles affecting employees. The progress must, however, still be regarded as being in an experimental stage and the final result will depend very largely upon a proper response on the part of the employees."

### ELK FIRE BRICK COMPANY.

ST. MARYS, PA.

(1919) J. D. Ramsay, president, November 18:

"The only plan we have put forth along this line to date is one which seems to us to be entirely new. We have a 7% cumulative preferred stock which we sell to the public. We are, of course, not a large concern and naturally our stock is not listed. The common stock of the company, however, represents the real cash originally put into the business and is not like most common stocks issued by concerns.

"The preferred stock has been sold for the purpose of developing the business from time to time. This preferred stock yields 7% to any buyer regardless of whether he is connected with the company or not. We have, however, put a supplement out in connection with that stock when purchased and owned by employees of the company. When I say employees, I would say that this refers to those working in the plants, in the mines, and in the official force such as the office help and salesmen. All are included under the same plan. This plan provides that if these employees own this stock in their own names for a period of one year they are to receive a bonus of 2% on same, so long as they remain in the employ of the company. If they own this stock in their own name for a portion of a year, then a portion of this 2% bonus is allowed to them. It is distinctly understood, however, that no one can own and obtain benefits on a greater amount than \$3,000 total of this stock. It is further understood that this bonus ceases the moment the employee leaves the company. We have had this in operation for about two years and it works very fine."



## THE FORD MOTOR COMPANY.

DETROIT, MICH.

(1916) In January, 1914, the Ford Motor Company of Detroit adopted a scheme which was such a radical deviation from the ordinary profit sharing plans then in existence that this report would be incomplete without a more or less detailed description of it. On account of the novel character of the plan and the large number of men affected, it was the subject of much comment throughout the country.

Whether the underlying motive of Henry Ford and his associates was wholly humanitarian or whether the plan was conceived with the idea that it would be good advertising, or whether both of these considerations entered into its adoption, the fact is that it has been beneficial for the employees and good business for the company.

Mr. Ford claims that he proceeded upon the theory that "all problems are solved by the elimination of worry through the payment of adequate wages," and he accordingly inaugurated a plan whereby all of the employees that met the requirements of the plan would receive, in addition to their wages, a share of the profits so that the minimum wage would be \$5 per day.

It was determined to base wages upon certain hourly rates, ranging from 34 to 80 cents.

With an eight-hour day schedule, the plan, so far as it affects the shop employees, works out as follows:

<i>Rate per hour.</i>	<i>Profit sharing rate per hour.</i>	<i>Total income per day.</i>
\$ .80	\$.07 $\frac{1}{2}$	\$7.00
.73	.11 $\frac{3}{8}$	6.75
.68	.13 $\frac{1}{4}$	6.50
.61	.17 $\frac{1}{8}$	6.25
.54	.21	6.00
.48	.23 $\frac{7}{8}$	5.75
.43	.25 $\frac{3}{4}$	5.50
.38	.27 $\frac{5}{8}$	5.25
.34	.28 $\frac{1}{2}$	5.00

An employee must be in the continuous service of the company for at least six months to be eligible to participate in the profit sharing scheme, and the additional qualifications are:

1. Married men living with and taking good care of their families.

2. All single men twenty-two years of age and over of proven thrifty habits.

3. All single men under twenty-two years of age who are the sole support of some next of kin or blood relation. Girls are eligible as profit sharers only when the sole support of some next of kin or blood relation.

Employees are not allowed time off, with pay, for any cause whatever, and are docked in half-hours for all time lost.

An employee of proven thrifty habits is defined by the company as one that does not indulge in the excessive use of liquor, nor gamble, nor engage in any malicious practice derogatory to good, physical manhood or moral character and who conserves his resources and makes the most of the opportunities that are afforded him in his work.

An employee supporting a home for near relatives is defined as one who is the sole support of his next of kin, dependent upon him and resident in the United States.

The possibility that the men might be unable to adapt themselves to a condition of sudden affluence was met by requiring certain standards of living in order to become participants in this profit sharing plan.

A staff of investigators, picked for their fitness as judges of human nature, visit the families of the shop employees to learn their home conditions. At the inception of the plan, the staff consisted of 200 men, which has since been reduced to 40. In their investigations to ascertain what employees were eligible to participate in the profit sharing plan, they consulted every possible source of information—churches, fraternal organizations, government records, family bibles, passports—in fact, everything that they thought would give the truth about a man was scrutinized.

It was made quite evident that this system, under which the men were obliged to qualify before given the increased wage, had resulted in causing many of the employees to transform their homes from old shacks into respectable, if not even more than ordinarily comfortable, houses. One illustration suffices to indicate the general condition. An old small tar-paper shack, in which there were a kitchen (one



side being curtained off for a couch) one bed-room and a sitting-room, was still being occupied by a mother and son. In the center of the kitchen was a receptacle containing black water in which she had washed the linen from week to week rather than carry fresh water from a neighborhood hydrant. The yard was littered with tin cans. But the son had saved money enough to make a payment upon a lot and the company had given him credit for lumber. He had almost finished a two-story frame cottage of a substantial character and pleasing appearance, containing bath and furnace. As soon as he had shown that he had a savings account and discontinued spending his evenings in evil resorts the company increased his wages. He was just about to abandon the old shack with its disordered surroundings for the new convenient place, where his mother would not have to carry water a block for her washing. This influence on the moral character and home life of such men and their families can only be regarded as an improvement.

Notwithstanding the scrutiny to which the men were subjected, in the first ten months that the plan was in operation, a total of approximately \$8,000 was obtained by employees falsely representing their conditions so as to fraudulently participate in the plan. Various deceits were resorted to in such cases; some hired women to pose as their wives at from \$2.50 to \$25 a day, some borrowed children and others borrowed passports and bank books. The company early established its right in the court to recover the money thus obtained by false pretenses and about \$8,000 was paid back to the company. When the various frauds were discovered, the men perpetrating them were not discharged but the company insisted that they return the money and start in all over again. The company is proud of its record in that respect, claiming that it is a vindication of the painstaking way in which the company is trying to dispense the money and see that it is used for the purposes for which it was originally designed.

On the whole, the plan has been beneficial to the employees and community alike. The company states that there is a marked increase in the number of naturalized citizens; a marked improvement in the tendencies of the men toward thrift and economy; in their habits, health and

physical attributes, and that there is a tremendous drift toward better living conditions, more sanitary homes and a cleaner and better neighborhood. In the first ten months of the plan the gain per man in bank deposits was  $130\frac{1}{2}\%$ ; in life insurance,  $86\%$ , and in homes owned,  $87\frac{1}{2}\%$ . As the men have committed themselves to a very large extent to the purchase of homes, relying upon a continuance of the payment of the profit sharing addition to their wages, they would be confronted with a very serious situation if the company did not continue to pay these profit sharing additions.

When the Ford plan was announced it was predicted that industry would be disturbed in the city of Detroit and very likely elsewhere, as no other firm was financially able to introduce any such extravagant system. It is now contended by some, but the idea is ridiculed by others, that as soon as a real competitor enters the field covered by the Ford company it will have to discontinue the high wage rate now being paid. Some argue that others are now coming along and will have to be reckoned with in the near future, but the friends of the company will not admit any such possibility.

It is plain that the labor market was not disturbed, as was predicted. This is partly due to the fact that when the system was introduced unemployment was so great that men were willing to take jobs wherever they could get them and at current wages.

An interesting phase of the situation lies in the fact that even at the highest rate paid, namely \$7 a day, the employees of the Ford company do not get as much as skilled mechanics in the same industry in Detroit where different processes are employed in making the automobiles of a higher grade. This company, specializing to such a large degree and depending almost entirely upon machinery, with unskilled labor to guide the product and handle the machines, requires almost no skilled workmanship.

There has also been put into operation a profit sharing plan for employees other than the shop employees, who are qualified as follows:

- Class 1. Men receiving \$200 a month or more.
- Class 2. Men over twenty-two years of age receiving less than \$175 per month.



Class 3. Men under twenty-two years of age and women.

Class 4. Salesmen.

Class 1, the men who are receiving \$200 per month or more, are the heads of departments, and they are paid (besides salary) usually, by the custom of the company, at the end of the year, a so-called bonus for brains, which is awarded on the basis of merit and individuality manifested and put into force for the good of the company during the year.

Class 2, the men twenty-two years of age and receiving from \$75 to \$175 per month, now receive from \$5 to \$7 per day.

Class 3, the men under twenty-two years of age, and women, receiving from \$30 to \$50 per month, now receive from \$2 to \$4 per day.

Class 4, the salesmen, receive a minimum of \$5 per day.

Mr. Ford was not willing to admit that others could not adopt his plan. When it was inaugurated, in January, 1914, the company made an appropriation of ten million dollars to cover the increase in wages. After one year's operation, the business had developed to such an extent that the additional profits were vastly in excess of the increase in wages. The company claims that this was attributable directly to the greater efficiency of the men and such a continuity of service as practically to eliminate any turnover in labor.

The minimum annual labor turnover of most corporations is estimated at 33%, whereas this company claims that it has not had a changing force and that its employment department has been active only when the company was required to increase its force, as was the case in April, 1915, when it took on 2,000 new men. To this point others replied that in time of depression the company could not judge as to the possibilities of a turnover, since men would not leave during such a period when they knew that they could not get work elsewhere.

There has been no noticeable speeding up in the work of the employees. An official of another automobile company in Detroit, who spent more than a week in a critical study of the plan, had much to say about the speeding up of the workmen in certain parts of the works, but an investiga-

tion by a representative of the Civic Federation disclosed that this contention was not correct.

While the Ford plan may be an ideal one for that plant, it is not applicable generally throughout the manufacturing industry and it is extremely doubtful if there are many concerns that could successfully adopt it. The Ford company manufactures and sells a finished product ready for delivery to the consumer, the market for which it is able to create. The company has practically no rivals in its own field and need not cut prices unless it sees fit to do so for the sake of larger sales and still larger gross profits. Therefore it is able to fix its own wage scales without reference to the conditions faced by concerns in close and active competition.

Catering to the market for low priced cars and specializing in one type, it is able to reap the benefit of cost-saving methods which the makers of a series of models of higher priced cars cannot utilize. Such exceptional conditions permit a wage outlay which might prove absolutely ruinous to a manufacturer who, in competition with others, manufactures some staple article where the labor item enters largely into its cost and for which he could not create any particular demand. In such a case, the cost of the article would be determined largely by the rate of wages paid by manufacturers generally in that industry and the individual manufacturer would therefore necessarily be limited in the amount which he could profitably pay to his workmen.

But aside from the financial aspect of the plan, it is essentially paternalistic and, while it is now accepted by the employees, a very large percentage of whom come from countries where paternalism prevails, it is a question whether such close inspection of the private lives, habits and personal accounts will be tolerated by the foreigners when they shall have become Americanized. To have an inspector insist upon seeing a man's savings bank account book, his receipts for payments on property, for water tax, for household expenses and other items that enter into the family budget, must be resented ultimately by those who have come into the spirit of our free institutions.

Although Mr. Ford's antipathy to trade unions is well known, their basic objections to profit sharing plans generally do not apply with the same force to his plan, as it is in effect



an increase of wages. A trade unionist cannot consistently oppose any plan which definitely establishes a high wage scale; but the autocratic and paternalistic features of the Ford plan are repugnant to the spirit of trade unionism.

It will be seen that the Ford plan is not in reality a true profit sharing enterprise, even though the extra wage payments are called by the company a "share in the profits." These payments are made outright, as a part of the regular daily wage; they are not a stated percentage of the annual profits nor in any way made dependent upon the size of the profits. The Ford experiment may therefore be put in a class by itself as a wholesale increase in wages made possible by extraordinary conditions.

(1919) H. E. Squier, department of education, September 6:

"Our plan is still in force in all essential particulars the same as in 1916, and the results are very satisfactory.

"Our force at the present time at the home plant and the branches is over 75,000. All who can qualify under our rules are eligible for profits. The number not receiving profits who have completed their probationary period of thirty days is practically none.

"Several changes in the details of the plan have been made since 1916, the principal ones being the reduction of the probationary period to thirty days; the increase in the minimum rate to \$6 a day, and the rating of the force according to the grade of work done. The minimum income was changed to \$6 per day on January 1, 1919, with a minimum wage rate of 50 cents per hour and a corresponding profit sharing rate of 25 cents per hour. On June 1, 1919, a flat profit sharing rate of 15 cents per hour for all wage rates became effective and the minimum wage rate was raised to 60 cents per hour.

"The feeling among our employees toward this plan is very favorable, as the results have been of great benefit to them, as shown by these figures:

January 12	1914	1915	1916	1917	1919
Average amounts deposited in savings accounts and invested in homes and lots, per individual...	\$207.06	\$532.34	\$617.33	\$732.18	\$2,171.41
Average amount in banks, per individual .....	75.20	213.70	203.62	223.39	750.13
Average value of homes owned, per individual .....	35.33	65.49	98.68	101.65	647.09
Average value of lots owned, per individual .....	5.07	6.60	20.97	24.99	128.15
Average value of homes on contract, per individual .....	247.70	622.04	743.25	998.98	1,394.70
Average amount paid on homes on contract, per individual.....	83.86	227.14	267.61	342.04	495.58
Average value of lots on contract, per individual .....	31.23	70.10	95.55	147.63	335.75
Average amount paid on lots on contract, per individual.....	7.60	19.41	26.45	40.11	150.46
Average amount of life insurance, per individual .....	186.53	455.54	505.66	572.28	857.03
Monthly average of rent and board, per individual .....	18.67	18.58	18.65	20.97	26.55
Number of employees upon whom this statement is based.....	13,251	14,225	29,314	40,903	100%

"Our industrial relations work has done a great deal to prevent labor troubles in this plant. Our plan is not limited to the heads of departments, in fact it is distinctly a plan for the rank and file. We certainly do consider the results of this work as a distinct success, both to our employees and to the company. Co-operation and exchange of ideas among employers is the best way of meeting the labor unrest of the present day.

"We do not pay bonuses in the form of a percentage given as a present, but each employee after thirty days service receives a share in the profits of the company. The eligibility of an employee as a profit sharer is determined not through the grade of work that he does, but through his personal habits and life. In other words the company reserves the right to withhold profit sharing from any individual who is using it in a detrimental manner, in order that we may bring to his attention the mistake that he is making.

"We have no retirement or pension fund, as we pay profit sharing after thirty days' service, and encourage the employee to save, advising that profit sharing is to be used by the individual for his maintenance when he is no longer able to work, teaching him through a corps of advisers the means and methods used in investing and saving money properly. In case of sickness, where a man is unable to meet expenses,



we have a company fund termed aid to sick, which is to be used for the support of the family of a sick employee until such time as he is able to return to work. We have a fund termed charity fund, for want of a better name, whereby we are enabled to pay any deserving expenses, such as those incurred in hospitals, doctors' services, or other necessary payments essential to the welfare of our men.

"We have rated the entire shop and clerical force according to the grade of work done by the individual and department in which he is employed, giving a minimum and maximum to each grade, with the idea in view that when the individual has reached the maximum of the grade in which he is working, he shall be advanced to a position in the group above him when a vacancy occurs and when he has demonstrated his value for advancement."

The company's educational, wage payment and welfare plans are described in pamphlets.

A press dispatch announced on December 31, 1919, the following:

An elaboration of its profit sharing plan, whereby all employees will be enabled to purchase certificates of investment in the company, guaranteed to return 6 per cent a year, and a distribution of bonuses that will total between \$8,000,000 and \$10,000,000, was announced to-day by the Ford Motor Company.

Approximately 90,000 employees of the Ford Motor Company, and other interests of Henry Ford and his son, Edsel, will be eligible to participate. The two steps outlined constitute "only a beginning," and that "other plans for enlarging the income and increasing the purchasing power of the dollar of our employees are under consideration," according to the statement.

The amount of the bonuses, which will be in addition to the distribution of profits under the original profit sharing plan, will be based on an employee's daily wage and length of service. They will range from \$50 in the case of a worker in the company's service three months and receiving the minimum wage of \$6 a day, to \$270 in the case of the worker with five years of service, and receiving a wage of \$10.80 a day. Salaried employees receiving more than \$250 a month

will participate proportionately on the basis of the length and value of service.

The certificates of investment will be issued in denominations of \$100, \$500 and \$1,000, and are to be non-negotiable and non-assignable. They will be restricted to employees in the actual and active service of the company.

While the certificates are not negotiable and not assignable, it is provided they may be left standing in the name of a deceased employee, at the discretion of the directors, to draw interest and payments for the benefit of his dependents.

### GRAND RAPIDS REFRIGERATING COMPANY.

#### GRAND RAPIDS, MICH.

(1919) C. H. Leonard, president, November 13, writes that the company's plan was installed September 1, 1919, the average number of employees being 500, all participating. The plan is only one of several methods employed to modify the tendency toward labor troubles. Among others is a co-operative store, coal at cost to employees, mutual aid society and group insurance. The profit sharing plan includes all the workers in every department, the foremen, office men, shipping force and the yard men. So far it is regarded as an unqualified success. Mr. Leonard states:

"We obtained the percentage which should belong to labor from the output of our factory for the past two years and the total payroll. In our business it was 26½%. Of course in other businesses the percentage would differ. We consider that as soon as the goods are finished the workman is entitled to his full share, whether the goods are sold or not. That is a risk we have always taken, and we see no reason why we should not take it in the future.

"There is one idea in this new profit sharing plan which has never been included in any other plan that we know about, *viz.*, making the employees responsible for any loss arising from slowing down of the output. It is taken right out of their dividends. Each week a notice is pasted on the clocks, where they can all see it. 'Notice: No dividend. Product too small.' A notice put on the clocks to-day reads: 'Dividend notice: we are pleased to announce that you have earned a dividend of 16% on your wages for the week ending Mon-



day, November 10, and in addition have paid up all the shortage incurred in former weeks; 16% will be added to your wages for the coming week.' ”

[The A. W. Burritt Company has provision for sharing losses.—Ed.]

### GREENFIELD TAP AND DIE CORPORATION.

GREENFIELD, MASS.

(1919) Francis G. Echols, vice-president and general manager, November 18:

“In June we installed a plan in our plants which enables the employee to share in the savings in the cost of production. Our average number of employees is about 1,500. Approximately 1,300 to 1,400 are participants in this plan. There is considerable sympathy exhibited on the part of our employees toward the plan. There is practically no opposition to it, and they are gradually working up to the belief that it is a sincere and honest effort on the part of our company to have them share in the earnings and savings.

“We cannot say positively that the plan has been effective in the warding off of labor difficulties. There has been nothing of this kind in our plants since its installation, and what effect it would have, should we experience labor difficulties, we of course cannot say. This plan is limited to the rank and file and does not include at the present time the heads of departments. The installation being of such a short duration, we would not want to say at this time that it has proven a success. We do believe, however, that it is growing more and more in favor, and we have confidence that it will eventually prove a success.”

W. P. HILTON.

CERTIFIED PUBLIC ACCOUNTANT.

NORFOLK, VA.

(1920) Mr. Hilton writes, January 19:

“The men connected with this office who are accountants and members of the field force are eligible after one year's continuous service to an arrangement whereby they share in

one-half of the net profits of the office, excluding any fees earned by myself, to such extent as the total productive hours of any one accountant, multiplied by the average salary for the year, bears to the aggregate of the same factors arising from all other members of the staff. Such amounts are set up to the credit of each accountant as soon as the books are closed for the year, and are payable 25% as of January 1, following the closing of the books, and quarterly thereafter.

"If any member of the staff leaves the organization during a current year, he loses his interest for that year and also forfeits any unpaid balance of the prior year's bonus, and such forfeitures revert to myself.

"This plan was started January 1, 1918, and on account of many changes in our personnel only five men participated for that year. For the year 1919, the number will be slightly increased. At present the average number of employees entitled to participate for the year 1920 will perhaps be twelve or fifteen.

"It is really too early to say definitely whether or not the plan is entirely acceptable, inasmuch as we are not yet ready to announce the outcome of 1919 business, but from advance figures it is evident that each of the participants will receive between \$500 and \$750.

"As our business is of a professional nature, the difficulty of obtaining a competent staff is influenced very largely by the salary paid. Naturally, with a profit sharing arrangement, our salaries are not as high as the same men could obtain in other places, but with the bonus added, we undoubtedly have relatively as high a salary rate as any other concern in the same business.

"Our two main objects in introducing a profit sharing plan have been: First, to impress upon the members of our staff the fact that they carry a certain amount of personal responsibility, as to the outcome of the engagements which they handle for the office, and Second, that if such responsibilities are properly discharged, a portion of the profits accruing to the office will revert to them. We believe our plan has met our desires to keep the standard of our work as near 100% perfect as possible.

"It is the writer's observation, that any profit sharing plan, in order to be successful, must be laid on definite rules and



regulations, and must call for the participant's interest and co-operation, so that it influences even a greater personal interest on his part than the regular wage or salary."

### THE HINDE & DAUCH PAPER COMPANY.

FIBRE SHIPPING BOXES AND PACKING MATERIALS.

SANDUSKY, O.

(1919) From the secretary, November 13:

"We do not have the profit sharing plan, but several years ago we adopted the policy of paying an additional compensation on the percentage plan, operating according to the number of years of service, and it has enabled us to reduce our labor turnover to a very small per cent. The additional compensation is based upon length of time of employment, as follows:

"To those employees who began their continuous service since the first day of December, 1917, and so remain until distribution is made, the amount is based on 5% of the total wages earned by them during the year ending November 30, 1918.

"To those who have served the company continuously for one full year and less than two years, the amount will be 7½% of the wages earned for the year ending November 30, 1918.

"To those who have served this company continuously for full two years and up to and including full five years, the amount will be 10% of the wages earned for the year ending November 30, 1918.

"To those who have served this company continuously for full six years and up to and including full ten years, the amount will be 12½% of the wages earned for the year ending November 30, 1918.

"To those who have been in continuous employment for more than ten full years the amount will be 15% of the total wages earned for the year ending November 30, 1918."

### W. H. McELWAIN COMPANY.

MAKERS OF SHOES. BOSTON, MASS.

(1919) From Clifford R. Warren, secretary, December 1:

"The profit sharing plan of this company was first made effective by a letter addressed to the participants in the plan in March, 1917. This letter announced that the first distribution would be of a portion of the earnings of the fiscal year ending May 31, 1917, and would be made following the close of that year. This plan is confined to the manufacturing division, in which there are about 6,000 employees. Members of the general administrative organization are included who receive a salary in excess of a stipulated minimum, certain members of the factory organization and most of the foremen. This is a 'managers' profit sharing plan.' The number of persons participating for the fiscal year ending May 31, 1919, was 229.

"The company believes that the plan is strongly supported by those who participate. Of course, since the plan is confined to managers it has no effect on labor disturbances. The managers have come to feel they are more directly interested in the success of the business. The distribution of profits has been in stock of the company, managers who are holders of common stock at the time of distribution receiving stock of that class, and other managers receiving second preferred stock."

#### H. MUELLER MANUFACTURING COMPANY.

WATER, PLUMBING AND GAS BRASS GOODS. DECATUR, ILL.

(1919) A representative of the firm, November 15:

"For a number of years past we have paid to each of our employees who during that year completed 20 years of continuous faithful service the sum of \$500, but we do not have a plan of profit sharing."

#### ONEIDA COMMUNITY, LTD.

ONEIDA, N. Y.

(1919) G. N. Allen, November 18:

"We adopted our present wage plan for providing for the high cost of living in 1917. The only change since then is that beginning September 1, all salaries on the company's payroll got the full high cost of living percentage. On September 1 we gave all employees drawing over \$2,000 a



rebate equivalent to the full high cost of living from the time we started the plan, and have arranged to give them the full percentage monthly thereafter."

From a "community" booklet:

Our "high cost of living" plan was put into effect January 1, 1917. As a basis, we went back to January, 1916, when a general wage advance had placed our employees (as all agreed) in a position of sharing the company's prosperity. A careful estimate applied to the living expenses of a large number of families of differing size and income, indicated that the rise of living cost in our community during 1916 was about 16%. We therefore announced:

1. That during the war, and until a period of settled prices had been reached, basic wages would be left as in January, 1916.

2. That a separate envelope would be given to each employee containing an additional wage which for January would be equal to 16% of the regular wages.

3. That the wages in this special envelope should change each month with the change in the average cost of living.

4. That every 20 point change in Bradstreet's index number of about one hundred commodities would be assumed as indicating a change of 1% in the average cost of living, the nearest 5 points being considered equivalent to  $\frac{1}{4}$  of 1% in actual practice.

5. That each month the latest Bradstreet number, when published, would be posted on factory bulletin boards, together with the change of wages indicated for the following month by this change of index number.

For twenty-seven months these special high cost of living envelopes have been maintained on the aforementioned basis.

The fact that more than 2,000 workmen after two years of experience with the operation of this plan, agree that the "H. C. L." envelope has fully covered increases in their living costs, has given us great confidence in the practical value of the figures used.

PHELPS DODGE CORPORATION.

NEW YORK.

(1919) Warren Douglas, president, December 8:

"The condition under which we have been operating for

the past four years may not be strictly construed as profit sharing, and yet the effect is certainly the same.

"The wage scale in effect throughout our copper properties and which applies not only to wage-earners but to salaried employees is based on a minimum rate when the copper metal is selling at 13 cents per pound. For each one cent increase in the market price for copper, the wages are increased 12½ cents per day; so that actually the companies are dividing with their men a considerable percentage of the profit above a market which may be considered as an unprofitable one to the industry.

"As a whole, and particularly among the more intelligent class of miners (such as those working in the so-called 'white camps') the system is, I think, eminently satisfactory and I am sure has had a very direct effect in preventing labor troubles during the time it has been in vogue. I cannot state that it has been an unqualified success, as while there has been no opposition to increases in the rates of labor as the copper advanced there has been a distinct reluctance on the part of the wage-earners to accept a reduction in the rates when the market price declined. The system was originally put into effect just before the war, and therefore when the standard cost of living was considered to be normal. Since then the greatly increased cost of all commodities to the workmen has caused the operators to modify the plan; so that, as a matter of fact, while copper is to-day selling at 18 to 19 cents per pound, the wages being paid are practically on the basis of 24-cent copper."

#### REID & HUGHES COMPANY.

DEPARTMENT STORE. LAWRENCE, MASS.

(1919) From a representative, November 13:

"At the end of each month we take 1% of the total sales in each department, divide this by the number of our regular employees, and give each an equal share of the commission. (Regular employees are those with us the year through—in our business we have many extra employees for various sale days, etc. We do not consider ourselves obligated to include them.) Our office force, porters, drivers, and other non-sellers, are given their share of commission each month based on the sales and gain in volume of business.



"This plan dates from September 1 of this year. It is as yet too early to decide on the merits of the plan, but we feel that it will be a success. The employees with but one or two exceptions are well pleased. Our employees number about 85. We hope it will ward off possible labor trouble, but of course it is too early to tell yet, and we are not sanguine enough to believe that if we kept the 1% and gave our employees 99% all would be satisfied. Heads of departments and the rank and file share in the plan."

### THE STANDARD TEXTILE PRODUCTS COMPANY.

NEW YORK.

(1919) Alvin Hunsicker, vice-president and general manager, November 9:

"This company has not as yet any profit sharing plan, but it sets aside from its earnings a certain amount which is put in a reserve, which is used, in a sense, for profit sharing. This percentage as set aside is not fixed annually, but such amount as is estimated will be needed each year is set aside.

"We were one of the first companies to carry group life insurance. In this way the family of the employee is protected to the extent of receiving, at the death of the employee, an amount equivalent to his compensation for the 12 preceding months, the maximum limit being \$3,000. While not all of the men, particularly the single men, see the benefits of this plan, we find that it has made a friend for the company of the employee's wife, who does appreciate the insurance, and she uses her influence to keep her husband on the job.

"We operate under the shop committee plan, and in the event of an employee becoming incapacitated or upon reaching the age limit, 70 years, his pension is fixed by the shop committee, who are better able to determine what each individual should receive than any fixed plan might determine. Our pensions run anywhere from 25% to 50% of full pay.

"Through the shop committee plan, wages are practically fixed by the shop committee based upon the efficiency of the employee. It so happens, therefore, that when wages are raised some receive double the amount of others, and in some instances some receive no increase. It is the policy of the company to pay liberal wages, a little better than the average,

and for skilled men, quite considerably more. This plan has kept us from having strikes, has shown the men that we desire to be fair and liberal, keeps up a fine spirit of co-operation, and as a matter of consequence increases production, the increase in production more than offsetting the increases paid for efficient service.

“Since 1914 the company has fixed its wages not on a pre-war basis nor on the high cost of living basis, but has endeavored to strike a middle line. Salaries are adjusted in the regular way on this basis. The difference between the middle line and the high cost of living line is made up in extra compensation, which is paid quarterly and varies in amount, depending upon conditions. This plan applies to all on the salary roll, whether at the plants or in the general offices.

“During the war, in order to stimulate production to aid the government, we added a premium bonus. This was paid to any employee who during the war period, during any one year, rendered some extraordinary service that added to production. This premium bonus was in force only two years. It was distributed secretly by the general manager, who submitted his list to the executive committee. In some instances, salaries were almost doubled. Since the armistice this plan has been discontinued, but we are inclined to think that we may put this plan into operation again on a modified form. It had a tendency to bring out the very best in our skilled employees. Some of the things accomplished during the war have proven to be of great benefit since the war is over. In other words, this premium bonus was for high pressure work, and in the payment of the bonus as outlined the individual received recognition rather than the company as a whole.

“The company has no fixed plan of sick benefits and yet it takes care of all incapacitated employees, charging it against the regular fund mentioned above. Each case is taken on its own merits and there is no arbitrary rule.

“We believe that there is no fixed plan of profit sharing that is strictly equitable. Any plan that treats the inefficient employee the same as the efficient employee is wrong in principle. We therefore are working on a plan that, as we see it, takes care of every employee based upon his individual effort.



Our men are graded something similar to the system the army uses, so that if a man is low on one point he has a number of other points on which to average up.

"It is our candid belief that the difficulty with labor will not be solved on a general plan, but if each company would take its own problems and solve them patiently and scientifically so as to have in the end a satisfied corps of workmen the troubles of the country as a whole would be over. In any event, the employers will have to be more flexible in their dealings with labor, and organized or unionized labor will have to be more flexible in dealing with its employers. The walking delegate and his powers and the absence of any grading in organized labor are two elements that greatly hinder its progress, which every right thinking employer is apt to strongly combat. We have open shops, but we employ union men as well as non-union men, but we have been able to avoid labor trouble through proper co-operative methods based upon what we regard as right, both parties being considered."

THE UNITED STATES PRINTING AND LITHOGRAPH COMPANY.

CINCINNATI.

(1919) John Omwake, president, November 28:

"This is a union shop and always has been so. We employ 500 in this factory, two-thirds men and one-third girls. We instituted a premium system in a couple of departments a few years ago, not subject to union rules, which has helped to lessen the labor turnover. Generally we think it is satisfactory, as labor is ever watchful to see that they get as much in wages and premium as they could get elsewhere.

"We paid for some years a premium to salesmen for bookings of orders in excess of the basis established, and a premium to managers and superintendents in the factory for increased production. Later we tried to establish this extra remuneration on a profit sharing basis, but we have not yet been able to find a common basis for distribution that would be equally fair to all concerned.

"We will pay out this year probably \$100,000 to managers, salesmen, superintendents and heads of departments generally, but the individual amounts will be made up ac-

according to merit and not altogether according to profits earned."

WILLIAM VOLKER & Co.

PICTURES, FRAMES, WINDOW SHADES. KANSAS CITY, MO.

(1919) William Volker, November 28:

"We have shared profits with some of our employees in some form for more than 30 years. Our original method was to allot to employees the earnings on a definite amount of capital, the minimum being \$1,000; maximum, \$25,000; allotment according to importance of position held by the individual. We found it difficult to make explanation satisfactory to beneficiaries why earnings should ever be less for one period than at any previous period. The rank and file preferred a definite fixed income and our plan was abandoned as to these.

"We are paying our selling force a fixed salary and in addition a fixed percentage of the profits on their sales, as shown by our profit and loss department.

"Since July 1, 1917, we sell employees on the instalment plan shares of stock with an agreement with the undersigned personally to the effect that when employees leave our employ shares are purchased by undersigned at book value (par, plus undivided profit) with 6% interest from last inventory date (January 1 and July 1) to date of transfer."

YOUNG, SMYTH, FIELD COMPANY.

NOTIONS. PHILADELPHIA.

(1919) Calvin M. Smyth, president, November 11:

"Our business is one of distribution, not manufacturing, and therefore the only skilled persons we employ are buyers, department managers and salesmen. Our department managers all work on a share of profits based on a minimum requirement of profit before dividing sufficient to insure dividends. Our salesmen work on a commission strictly, thus making their own rate of compensation, but receiving a bonus for sales over a previous high record. This is an encouragement to the younger, growing salesmen more than to those already established. We have been working on these plans.



for a number of years. We employ about 75 men who are interested in the above plans and about 225 who do not share in a division of profits but who receive a cash gratuity at Christmas time based on years of service and who also are benefited by life insurance, increased in amount according to years of service.

“We have no labor troubles, nor have we ever had any. We pay our help liberally and look after them when they are sick, and have a loyal force with comparatively little turnover, except during the war times, when 41 of our young men entered the service, and we naturally suffered accordingly. They are all back now and we anticipate no further trouble.”

## REPORTED IN THE PRESS, NEW YEAR, 1920.

A clipping service on the subject resulted in considerable testimony, about the first of the present year, that many establishments throughout the country had widened the scope of their bonus payments or profit sharing or had for the first time entered upon some variant of extra payment to employees, with attendant welfare work, life insurance or kindred benefits. In general, these newspaper reports have lacked essential particulars, a fact apparently due in many cases to indefiniteness in the announcements of the employers themselves. The statements which follow have been condensed from literally scores of columns of newspaper matter on the subject.

The banks of the country seem not only to have generally paid the bonus hitherto expected by the employees of large financial institutions, but in cases to have ventured further into the sphere of systematic profit sharing. In a review of this phase of changing methods, the New York "Journal of Commerce," January 13, 1920, gave serious consideration to the topic as discussed "during the past few months." It said: "There has been a great deal of unrest among bank employees, not only in this city but throughout the United States. The effort of the American Federation of Labor to unionize them has been unsuccessful, at least in any large way, but chiefly so on account of the fact that banks, particularly in New York City, promptly took in hand the question of meeting the view of the employees and convincing them that they were being paid in proportion to the increased earning powers of the institutions." The article further stated that the bonus system in its most recently developed form is now applied quarterly. A good many banks were paying a so-called cost-of-living bonus, intended to make the purchasing power of the employee's salary stable. A comparatively few banks had established profit sharing in its purity, "although it is assumed that when prices are rising and business is active the percentage allotment will be larger and so will in a sense constitute a cost-of-living allowance."



On the whole, in its reports relating to profit sharing, the press of the country is reflecting a somewhat undefined movement and not a systematic carrying out of a clear-cut plan. To the newspaper headwriter, "profit sharing" serves to denominate almost any benefit extended from the employer to the employee.

The Fourth National Bank, Atlanta, Ga., distributed to its entire corps of employees \$10,826. Eight years' service brought 12% of the salary; seven years', 11%, the diminishing ratio reaching 4%. A supplement of 2% was further made for the past year.

The First National Bank, St. Paul, Minn., set aside stock for dividend purposes for employees at less than \$3,000 a year, voluntarily to be drawn upon in proportion to salaries. For the first time, junior officers are permitted to purchase stock.

The First National Bank and the Federal Trust Company of San Francisco adopted identical profit sharing plans. By the method adopted, 20% of the residue of the net profits is appropriated to the share of the employees. One half is distributed in a ratio to the total salaries of the banking department, the other half in proportion to term of service. The older employees received as high as 35% of their annual wage. In addition, an allowance was made to meet the rising cost of living; married employees, 12%; others, 8%. Salaries were to continue in case of illness.

The Emporia Bank, Topeka, Kans., announced a profit sharing plan, the profits to be used in organizing a trust company, one half the stock to be held by the bank's employees and half by stockholders.

The Ensley Bank, Birmingham, Ala., adopted a plan of sharing profits with "every employee depending upon his own work and enthusiasm." It is described as simple and precise.

Wm. Demuth & Co., Richmond Hill, Long Island, manufacturers of pipes and smokers' articles, employing 1,000 men and women, installed in April, 1917, a system of dividing the value of the increase of production arising through improved organization, gang working and other efficiency methods. The profits resulting from increased output and economies are distributed every two weeks in cash, the division on occasion reaching 15% of regular wages. The plant

also has group insurance and a sick benefit fund. The merits of the recent strike have not been investigated.

The "Daily Sentinel," Lewistown, Pa., H. J. Fosnot & Son, publishers, after experimenting with profit sharing for two years decided to give employees "a voice in the management of the business." No particulars.

The Wilkes-Barre, Pa., "Times-Leader" established a profit sharing plan by which profits are to be shared equally between the proprietors and their "associates." A "substantial percentage" was paid on the year's salaries.

The Salt Lake "Telegram" announced a sharing of the profits to the extent of 50% with its employees. "This will mean a bonus of more than \$300 for each employee."

John L. Thompson Sons & Co., druggists, Troy, N. Y., recapitalized at \$1,000,000, proposed a distribution of stock to the employees by subscription on an easy payment plan. The right to subscribe was based upon service, loyalty and efficiency.

The Furst-McNess Company, manufacturers of medicines, flavoring extracts, etc., established group insurance, the average for married employees being \$1,400, as well as a profit sharing plan by which deposits made by employees would be supplemented by the company at 6% interest paid on the total.

The C. W. Ferguson Collar Company, Troy, N. Y., organized four "I Am Producing More" teams. The firm is to set aside weekly a sum of money to be paid a team for excess of its normal production, with extra prize money to the teams in the lead. There is also to be a week's vacation for all employees, with pay based on weekly average earnings.

M. Rich & Bros., department store, Atlanta, Ga., announced, in giving \$87,000 in bonuses to 300 employees, that thenceforth the latter would be given an opportunity to buy 7% preferred stock in the store "on a liberal basis."

The Manufacturers' Trust Company, New York, adopted the plan of declaring dividends for employees at the same rate on their salaries as paid to stockholders on stock, the rate probably to be 10% or 12%.

The Apperson Bros. Automobile Company, New York, announced 25% of the net profit to go to employees. "In each man's pay envelope every week is a message from the



executives pointing out how he can increase his share of the profits—or decrease them.”

The Bridgeman-Russell Company, Duluth, Minn., in giving bonuses ranging from 3% to 10% on salaries, made the payments in company notes payable in three years bearing 5% interest. The notes range from \$30 to \$300, a total of \$18,000. The number of employees is 230.

Davis, Dorland & Co., New York, insurance agents and brokers, announced to 73 employees a “true participation in profits which was not to be in any sense a high-cost-of-living contribution.”

The Dutchess Bleachery, Inc., Wappingers Falls, N. Y., decided to “split the profits of the local plant fifty-fifty,” the employees to draw their profits each month. “Every employee in the plant from the agent to the office boy will be practically a stockholder.” “A certain amount is to be deducted for different funds from time to time, and in the case of a shutdown the employees will receive a portion of their pay during the idle time.”

I. Ginsburg & Bros., International Dress Company, began dividing monthly 50% of their profits in 20 factories located in various states, a final accounting to take place at the end of each year. A welfare committee of employees was established, together with a life insurance for \$500 for women employees and a nursing service.

The Holsum Bakery, Los Angeles, Cal., began profit sharing on a basis of both term of service and salary.

F. C. Huyck & Sons, cloth mill, Rensselaer, N. Y., was to apportion shares among the employees according to the length of service and the amount of salary of each.

The Hohlfeld Manufacturing Company, Philadelphia, announced a profit sharing, group insurance, reward system for regularity and productivity, and welfare plan. Stock could be subscribed for in amounts ranging from \$100 to \$1,000, payable \$2 a week; the firm to set aside for the purchaser an equal amount in stock, the total when paid up to become the property of the worker.

The Miller Metal Works, Southington, Conn., announced profits for the employees for 1920.

The Merchants' Refrigerator Company, New York, Jersey City and Newark, announced a combination of profit sharing

and bonus wages and life insurance. The company was to issue "employees' certificates of investment," to pay an annual rate of 6%.

The Morse Chain Co., Ithaca, N. Y., with 670 employees, proposed to establish a dividend on wages at the same rate as drawn by the stockholders.

Arthur Nash, president of the A. Nash Company, tailors, of Cincinnati, announced on March 18, 1920, to his four hundred employees that beginning at once the net profits of the business would be equally divided between the company and the employees after 7% has been paid on the investment and the employees had received the regular union scale of wages.

The Emil-Olcovich Companies, shoe stores, in Los Angeles, installed a cash dividend method, with supplement every three months. "Sales and department" were to be the qualifications. Besides, an insurance for \$1,000 for each employee was provided.

The Passaic Print Works, January 31, established a plan by which every three months a bonus was to be paid employees from which they could subscribe for profit sharing certificates to the value of \$100, \$200 and \$500. Interest on the deposits for the purchase of certificates is to be 4%, and there would be credited on the certificates 6%.

The D. Pender Grocery Company, Norfolk, Va., announced that it would share half and half in all profits above 2% on the turnover with its 265 employees, who were to have a representative on the board of directors.

The employees of the Underwood Typewriter Company are to receive April 1, 1920, 20% of the net surplus of the company for the year 1919. The distribution will be made in common stock of the company, if obtainable, or in United States government bonds or in both. The company paid to the trustees for distribution among the employees as extra compensation \$293,397 for 1916, \$327,633 for 1917 and \$376,836 for 1918, a total of \$997,897. Employees' subscriptions in 1917 amounted to \$108,484; in 1918, \$93,413, and in 1919, \$60,000, a total of \$262,000. There were 2,959 shares of stock issued to the employees during 1917, 4,224 during 1918 and 3,971 in 1919, a total of 11,154.



Thirteen thousand wage-workers of the Willys-Overland automobile plant were notified January 3 that the distribution of profits arranged for a year previously had been deferred "because of the fact that there were no profits, due to labor trouble," which began last May. The company declared, however, that the plan had not been abandoned but a new draft was to be made early in 1920. A distribution of \$41,400 was made among the employees a short time before the labor difficulty arose.

## ABANDONED PLANS.

A test of profit sharing—or, at least, alleged profit sharing—is arrived at through examining not only plans, new as well as old, now in operation but the circumstances in which dead plans have been abandoned.

In the statements regarding methods now practiced, many companies mention their previous try-outs of other methods.

Lists of failures may be found in N. P. Gilman's "A Dividend to Labor" and his "Profit Sharing Between Employer and Employee," and also in Sedley Taylor's "Profit Sharing" and the reports of the British Board of Trade on "Profit Sharing and Labor Co-partnership in the United Kingdom" and "Profit Sharing and Labor Co-partnership Abroad."

A score or more of the plans mentioned in the 1916 edition of this work have been omitted from the present edition. Repeated requests to their managers to give information as to the outcome of their respective experiments to date have brought no reply. It is possible that such ventures are deemed by those responsible for them as hardly worth recording.

[The date (1916) indicates that the printed matter following appeared in the edition of this book for that year; (1919) or (1920) indicates the date of the new report. A date in a sub-heading indicates the year in which the experiment under notice began.]

Among abandoned experiments of considerable prominence are the following:

### AMERICAN SMELTING AND REFINING COMPANY.

NEW YORK. 1903.

(1916) Some years ago, when very satisfactory profits were being earned, the company distributed yearly bonuses, based on percentages of wages, to all heads of departments and employees down to and including the rank of foreman. The total distribution in 1905 amounted to about \$200,000.



The company does not assign a reason for discontinuance of the plan, other than that implied in the reference to diminished net earnings in recent years.

E. C. ATKINS & Co.

SILVER STEEL SAWS. INDIANAPOLIS, IND.

(1919) H. C. Atkins, president, November 15:

"We are not at the present time operating a profit sharing plan. We are now employing in our main factory at Indianapolis, on the factory payroll, in the neighborhood of 1,200 men.

"In 1891 we did inaugurate a profit sharing plan, and carried it out for two years. At the end of two years, after paying our employees their share under that plan, the plan was discontinued, and we have never since that time felt enthusiastic about duplicating our experience. The basis of our plan at that time was as follows:

"1. Wages to our entire force, including office employees, heads of departments, foreman and workmen, were paid weekly. The wage rates were the current wages paid in kindred industries, or in our locality.

"2. The management considered that the firm was entitled to a return of 8% on its investment before there should be any sharing of profits between the investment and the workers.

"3. After the workers had received their regular wages, and after 8% on the investment had been earned to cover the returns for capital invested, and a very small percentage for betterments, sinking fund and depreciation, which by the way, was included in the 8%, the surplus remaining out of the net profits of the enterprise were distributed share and share alike to the workers and to the investment. The basis on which this distribution was made was on the basis of dollars of payroll for the year, and dollars of investment for the year. In other words, if our payroll amounted to \$100,000 and our investment amounted to \$200,000 and we had \$15,000 of surplus to divide, the workers got \$5,000 and the investment got \$10,000.

"As noted above, this plan was carried out for two years. During the first year it was distinctly understood in the rules of the game that members of labor organizations would be barred from participating in the profits. At the end of the

period this restriction was withdrawn and they were allowed to participate regardless of their affiliation with labor organizations.

"At the end of the second year, when the payment was made, a request came in from the only labor organization which we had in our works at that time, demanding that a committee of their organization be allowed to examine the books and accounts of the company with a view of determining whether they had been cheated or not, and they were insistent that they should have a representative on the board of directors.

"Our experience from a selfish standpoint, on the theory that participation in the profits would give us a better and more conscientious working force was unfortunate. We got no more loyal support than we had before. There was a continual murmur that indicated a state of mind on the part of the workers that the profits were too large, as they were in a measure let into the secrets of the business in so far as profits are concerned.

"This was well illustrated by one case, that of a man who left our employ to go into the employ of a neighbor manufacturer. Our neighbor manufacturer asked him why he left Atkins, who offered him a profit sharing arrangement. His answer was, that in so far as the extra share of profits were concerned it had increased his pay 6%, but he added: 'Think what those rascals get!' referring to the investment end of the business.

"The very fact that the business was prospering made a state of mind among the workers leading to unrest, and to exceptional demands which we had not experienced up to that time. We found that it was making in our business more disturbance than otherwise, and after very careful consideration, and a great deal of regret, because we had high ideas about the operation of such a system, we discontinued it and made up our minds to pay reasonable wages for reasonable work and let it go at that, and we believe we have been freer from ugly developments in our business since then than we were before.

"Our basis of profit sharing was really an expensive one from the investment standpoint, as we did not allow the investment a sufficient return before dividing the profits. It



would have resulted in 'bleeding' the business beyond its capacity to take care of the out-go.

"To sum up our experience, the profit sharing plan in our business tended to unrest, did not accomplish its purpose in satisfying the employees any more than they were satisfied before, and did not accomplish the purpose of tying up to us a loyal crew of workmen, whose only thought was an extra profit for good work and quantity production.

"We have been able to get the quantity production and loyal services, together with quality production, by making individual arrangements based on that outcome, in a much more satisfactory manner."

### B. F. AVERY & SONS.

TILLAGE IMPLEMENTS AND HARVESTING MACHINERY.

LOUISVILLE, KY.

(1919) C. F. Huhlein, president, November 18:

"Several years ago we inaugurated a semi-annual bonus, based on a percentage of wages earned. The experiment was not satisfactory and was discontinued. While the bonus was relished, and we think approved by most of our men, agitators seemed to convince them that the bonus was in reality wages withheld, and we were led to believe that the men desired to have in their weekly pay envelope all they were entitled to or expected to receive.

"We employ nearly 1,000 men in our factory and about 300 men and women in the office and branch house employments, mainly salesmen, clerks and shippers. At this time we are inclined to believe that profit sharing if applied to heads of departments would be wise, and that as to the rank and file the best form of extra compensation would be by including the sum in the weekly or monthly pay envelopes, said extra sum or bonus being a fixed sum based on the estimated profits of the current year, or current season, or arbitrarily set aside from the profits of the preceding year or years; the rank and file being informed just how or whence the sum to be apportioned is derived and that the continuance of the payment depends upon the loyalty and efficiency of the individual employee and the development and prosperity of the business as experienced from month to month.

"Our idea is that the average wage-worker or salaried worker does not possess enough vision, faith, patience or financial strength to wait contentedly for the end of a fiscal year, and that any bonus, loyal service dividend or profit sharing reward, in any form, would better be given weekly or monthly on regular pay days. In other words, let the employer show his faith and zeal in this direction by setting aside, in advance instead of at the end of a fiscal year, a premium, bonus, or profit sharing fund, with the announcement that so long as operations go along favorably and he feels justified in doing so, the sharing will be continued, and that it will be discontinued, modified or reduced as he may find justified from time to time, in his discretion.

"Something must be done to stimulate increased loyalty and efficiency, and, after several years of study and thought on this subject, I feel that I have the germ of a good program so far as this locality is concerned."

### THE BALDWIN LOCOMOTIVE WORKS.

PHILADELPHIA, PA.

(1916) In June, 1914, an officer of the company explained its stock subscription plan as follows:

"Leading men have been sold stock on a basis of 4% for money involved, workmen preferred. Highest possible wages to be paid regularly. Employees have the privilege of depositing their savings at 4% interest, money can be drawn on demand without previous notice. No attempt is made to interfere with the private affairs of workmen."

In February, 1916, the president of the company states that the plan has been discontinued for the following reason:

"By reason of the large advances in the market values of our common stock, it became profitable to our employees to sell their holdings and liquidate their obligations to us. Therefore all of the beneficiaries of the arrangement have terminated their obligations and the employees share fund has been closed."



## BOSTON ELEVATED RAILWAY COMPANY.

BOSTON, MASS. 1902.

(1916) Employees engaged in car service, in the employ of the company for six months and having a clean record, were eligible for payments from a bonus fund set aside each year. About 4,000 employees shared in the annual distribution, averaging about \$15 per man. Since entering upon contract relations with the Amalgamated Association of Street and Electric Railway Employees this extra distribution has been discontinued.

## BOSTON HERALD.

BOSTON, MASS. 1887.

(1916) The proprietor who inaugurated the plan for the 300 employees retired soon thereafter. Financial embarrassment of the firm not only delayed the first distribution but necessitated the reduction of the rate originally contemplated. The result was unsatisfactory and the scheme was not continued (N. P. Gilman). The treasurer writes that the "Herald" has no profit sharing plan and never had one that became operative. March 29, 1916.

## BREWSTER &amp; Co.

CARRIAGE BUILDERS. NEW YORK. 1869-1872.

(1916) This firm was one of the pioneers in profit sharing in this country. The extreme care with which their plan was prepared, the favorable auspices under which it was inaugurated and the ill-fate which attended it make it of more than passing interest.

In October, 1869, the firm submitted, in a proposal for an "industrial partnership" with its employees, the following percentage of profits plan, drawn up by them in conjunction with John Stuart Mill and John Bright of England:

The percentage of profits which labor was to receive was determined jointly by the firm and a committee of ten employees elected by the shop. The amount agreed upon by them was 10% of the net annual profit, which was distributed among the employees in proportion to the wages

earned by them respectively, the persons to share in the fund to be determined by the employees: The latter organized the "Brewster & Co. Industrial Association," and adopted a constitution which contained a proposition as follows:

"Neither this association nor any member thereof other than its president shall have any voice or authority in the management of the business of Brewster & Co.; nor shall this association, nor any member thereof, have the right to bring suit against the firm of Brewster & Co., or any member of said firm, in any court of law or equity, to determine or recover the amount of any share or shares in the moneys mentioned in the preamble of this constitution; and it is expressly understood that the wages agreed to be paid by Brewster & Co. shall be a full compensation for all services rendered by any member of this association while in the employ of Brewster & Co."

In presenting the profit sharing plan to their employees, Brewster & Co. said:

"Recognizing the importance of harmonious action in business operations, and believing that the interests of labor and capital are not necessarily antagonistic, but on the contrary can be made identical in many important respects, we have been considering and maturing a plan for the reorganization of the manufacturing departments of our business, in such manner that labor shall receive, in addition to ordinary wages, a portion of the profits accruing to capital."

Here follow the details of the plan, and the announcement continues as follows:

"In conclusion, we wish it to be distinctly understood, that, in offering this plan for your consideration, we do not claim to be prompted solely by the interests of those in our employ; on the contrary, we have faith that it will serve the interests of all concerned and are free to say that we believe we shall be gainers in proportion to your gains; and we pledge ourselves that if this experiment during the first year shall confirm us in this belief we shall make such further concessions to labor's share as will satisfy the shop of our faith in our plan.

"One word more. We make this proposition at a period of profound peace in our shop—when there are no ugly questions to be answered, or demands to be silenced by it; it is wholly a voluntary act on our part. Nor do we come to you with this offer suffering from any disaster, disappointment, or even discontent, for our business is al-



ready the largest of its kind in the United States, and our last year was in every way the most successful that we ever experienced. We do not, therefore, invite your co-operation in order to restore a lost or impaired business or to make good a deficit capital; but, in our prosperity and success, we do it for our mutual benefit and that together we may demonstrate that neither labor nor capital can ever so efficiently promote its own advantage as when it seeks it in harmony with the other and with generous regard for the interest of the other."

In explaining the discontinuance of the plan the firm said:

"We are sorry to say that it proved to be a failure, the men not being able to withstand the pressure from a general strike in the trade to join the outside movement. To show their foolishness and general disregard for their own welfare, had they waited two weeks longer they would have been entitled to receive some \$10,000 to be divided among them. The generation then in charge of the business considered that the movement was a failure and gave it up."

(Discontinued in 1872, when there was an eight-hour strike.)

## BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LTD.

VANCOUVER, B. C.

(1919) Ernest Rogers, chief clerk, November 20:

"We have no system of profit sharing among our employees at the present time. Commencing in 1902, the directors of the company made arrangements whereby any profit available for dividend, after paying 4% dividend on the ordinary shares of the company, should be allocated as to one-third to the employees of the company, each employee receiving an equal amount irrespective of his rank in the company's service. The company's financial year ends on June 30, and the bonus distribution for the year was made in the following October or November. The only condition required of those sharing in the bonus was that they must have been in the continuous employ of the company throughout the whole of the financial year from the profits of which the distribution was made and remain in the employ of the company until the date of distribution of such profits. The sums divided in this way during the period in which this bonus was

effective were as follows: 1903, \$25 to each employee; 1904, \$35; 1905, \$40; 1906, \$45; 1907, \$63; 1908, \$66.78; 1909, \$58.10. The object of the fund was to give each employee some interest in the profits as an encouragement to good service, and we found that the distribution of the bonus had an important effect upon the quality of the work done, besides being very real evidence of the good relations existing between the company and its employees.

"In 1910, at the request of the employees, this profit sharing scheme was discontinued, and the loss to the men was adjusted by an increase in their wages. Had the employees at that time not preferred that their wages should be increased but that the bonus should be continued, it would nevertheless have automatically ceased after the end of the fiscal year ending June 30, 1914, as since that time we have paid no dividends on our deferred ordinary stock, and no funds would therefore have been available for distribution of the bonus."

#### BUTLER BROTHERS.

WHOLESALEERS OF GENERAL MERCHANDISE. ST. LOUIS.

(1919) Joseph R. Barroll, manager, November 15:

"Butler Brothers adopted a profit sharing plan for employees in 1903. We continued it up to and including 1912, when we discontinued it through lack of interest on the part of our employees. Our plan was to give every employee who had been in our employ for one calendar year a percentage of his total salary; for this purpose they were placed in three groups, A, B and C, the rating of each group being made up from records of efficiency, punctuality and attendance. As a novelty for the first two or three years it did help us to secure greater efficiency and to minimize 'absence without excuse,' but very soon the employees began to look upon the profit sharing cheque as part of their earnings which was held out and paid to them at the end of the year. Our experience was not good enough to warrant us in continuing the plan, and since discontinuing it we have found no acceptable substitute."



## CHAMPION SPARK PLUG COMPANY.

TOLEDO, OHIO. 1915.

(1916) The plan is a cash distribution twice a year and is based upon wages earned, length of service, attendance, etc.

To a certain percentage of the total wage is added the total saving made by reduction in waste, spoilage, scrap, etc.,—a careful record of this being kept in proportion to the output of the plant.

In the case of the department heads and sales force, the amount is directly dependent upon results, carefully tabulated and compared for each six months' period.

Approximately 300 employees of this company, including salesmen, foremen, managers and other employees of the factory participated on January 15, 1916, in the first profit sharing distribution.

The president states: "So far we consider the profit sharing plan with our employees a decided success, although we shall unquestionably see a way of improving the method of handling this as time goes on."

(1919) F. D. Stranahan, treasurer, November 12:

"The profit sharing was discontinued because of claim it should be in the weekly pay envelope and not held for semi-annual distribution. This notwithstanding our wage outside of the profit sharing was better than prevailed in our locality for similar work, and difficulty really came from outside interference through distorting facts in an effort to create dissatisfaction."

## THE COLUMBUS RAILWAY, POWER AND LIGHT COMPANY.

COLUMBUS, OHIO. 1900-1913.

(1916) In 1900 this company inaugurated a profit sharing plan by giving a bonus to its employees; but the plan was abandoned in 1913 and the amounts formerly paid were added to the weekly wage; the reason being, as the company states, that a great many employees preferred to receive the money in an increased wage rather than to have it show as a gift pure and simple, which it did under the profit sharing scheme.

## THE CRUMP LABEL COMPANY.

MONTCLAIR, N. J. 1890-1892.

(1916) Ten per cent of the earnings of the company was distributed to the employees, the distribution being based upon a percentage of the salary of each employee who had been with the company for a period of one year. The company had 225 employees, but discontinued business in 1892.

The president of the company states that during the short time the plan was in operation "it worked advantageously as a great and cheerful stimulant."

## CUNNINGHAMS AND Co., LTD.

WINDOW GLASS MANUFACTURERS. PITTSBURGH, PA. 1905.

(1916) The company was reported to have entered into a profit sharing arrangement with its workmen, whereby \$20 a week was to be paid to blowers and \$15 to gatherers during continuance of the blast. After disposal of the product 10% of the net earnings was to be deducted for running expenses and the balance shared with the workmen. Many were expecting a large dividend, but the sales were made at prices which left nothing for distribution to labor, and it was stated that much dissatisfaction developed in consequence.

## CUSHMAN-HOLLIS COMPANY.

AUBURN, ME. 1891.

(1916) The Ara Cushman Company had a co-operative plan in operation from 1891 to 1893, when, owing to the apparent disposition on the part of their employees to disregard its intent and benefits, and also owing to unfortunate labor troubles, the plan was discontinued.

In 1903 the Ara Cushman Company was succeeded by the Cushman-Hollis Company, which has no profit sharing plan at the present time, according to the statement of its vice-president.



## HENRY A. DIX &amp; SONS COMPANY.

MANUFACTURERS OF UNIFORMS. NEW YORK. 1914.

(1916) In February, 1914, the company distributed about \$10,000 among 400 employees in the form of a dividend of 6% upon their yearly earnings, with the addition of a "length bonus" in proportion to the number of years of service. The company states that it is doubtful whether the plan will be continued, as it has only been tried once, but that it prefers not to go into the details of the reasons for this decision.

## DRIVER-HARRIS WIRE COMPANY.

HARRISON, N. J.

(1916) About nine years ago this company had in operation a system of profit sharing which was abandoned for the following reason, as stated by the president of the company:

"It did not seem to work well and it did not appear to us that it was appreciated. To 'cap the climax' there was a threatened strike in our works and when that condition presented itself, we immediately decided to terminate this plan."

The company is giving further attention to the idea, however, and hopes at some future time to develop a profit sharing plan which will be mutually advantageous.

## EMERY AND MARSHALL COMPANY.

MANUFACTURERS OF WOMEN'S GOODYEAR WELT.

HAVERHILL, MASS.

(1916) For about four years the company had in operation a bonus plan whereby it paid to each employee who had been in the service one year 1% of the wages earned during the preceding twelve months. The company states that it believed it had a fine plan and that it would accomplish certain results, but that a large proportion of the employees did not appreciate it, and "in order to get at the ones who did

not appreciate what we had done we were obliged to discontinue this plan."

### ERIE CITY IRON WORKS.

ERIE, PA.

(1919) E. P. Selden, vice-president, November 25:

"We have carefully, and for a number of years, considered this question of profit sharing with our employees, but have not been able to evolve a satisfactory plan. Our rule has been to pay full local rates, and by welfare work and making the shop conditions favorable and agreeable to our men we have succeeded well, for the most part, in keeping our force.

"During the war period, when so many men were attracted by the extravagant wages paid in munition shops, we met the prevailing difficulty in holding our men, and during the latter part of the year 1918 we paid a bonus for attendance. This was paid through January and February of 1919, and was then dropped, as the results did not justify its further continuance. We have at the present time an average of about 750 employees all told; 650 participated in the bonus referred to above.

"The impression prevails that if we have any extra money to pay out it should be paid in the form of regular wage and not as a bonus. As for modifying labor troubles, we did not see that there was any special benefit from the payment of the bonus which was paid to the workmen in the shops.

"Up to the present time the most satisfactory plan, as far as our experience goes, is to let the workman know every week just what he is to receive and pay him the entire amount as a wage, either for day work or piece work, as the case may be.

"During the last five years the advance in wages to the men in the shop averages 120 per cent."

### FOX MACHINE COMPANY.

JACKSON, MICH.

(1919) W. R. Fox, proprietor, November 13:

"We had in operation a plan to divide 1% of the amount of sales in excess of \$25,000 per month, dividing this among



ten of the department heads, giving each 1%. We discontinued that a year ago. At the present time we have no profit sharing plan in operation. Formerly we divided one-third of the profits of the business among the department heads, but there was considerable dissatisfaction, and we have almost reached the conclusion that a man working by the day wants to see his profits at the end of the week, and the man working on a salary is all the time raising the question of whether there are going to be any profits. I think the profit sharing plan is harder to work now than it was before the war."

### FULTON BAG AND COTTON MILLS.

ATLANTA, GA. 1912.

(1916) For the first three months of employment, each employee receives at the end of that period a premium or bonus of 3% of the wages earned. At the end of the second three months, he receives a bonus of 5% of the wages earned during that period, and at the end of the next six months, which would complete one year's employment, he receives a premium of 7% of his wages during the preceding six months. Each six months thereafter he receives this 7% premium. All employees on the company's pay roll, with the exception of those in the office, are eligible to this premium.

(1919) The company president writes, October 3:

"We have discontinued all of these, as we did not find them of advantage. We have not at the present time any similar scheme in mind."

### SIR CHRISTOPHER FURNESS.

WINGATE COLLIERIES. IRVIN SHIPBUILDING CO.

(See Experience in England.)

### P. H. GLATFELTER COMPANY.

PAPER MANUFACTURERS. SPRING GROVE, PA. 1916.

(1916) The company introduced a profit sharing plan in January, based upon wages and length of service. All the 215 employees are eligible. It is stated that employees who have been with the company one year will receive a cash divi-

dend on their wages earned during that period, equal to the rate paid on the company's stock. The company states that continuance of the plan will depend upon whether, at the end of the year, it has proved a success.

(1919) P. H. Glatfelter, October 8:

"We have given up our profit sharing plan inasmuch as the employees did not seem to want to participate in the profits of the company, but instead desired an increase in wages. The plan we used was that of declaring the same percentage to the employee on his wages every six months as was declared to the stockholders of the company, which we thought would be a very satisfactory basis to work upon. However, before starting the profit sharing system, the wages of every employee in the place were increased.

"We were compelled to do away with the plan due to the unusually high wages demanded during the war, and at the present time we are still continuing to pay the same wages, and we do not know when we will go back to our old profit sharing plan."

#### THE E. GUTHRIE COMPANY.

WHOLESALE AND RETAIL DRY GOODS. PADUCAH, KY.

(1916) Every six months 1% of the total cash sales was distributed among all the employees in proportion to salaries. The company states: "We found that our employees did not appreciate this and we have discontinued the plan."

#### C. F. HALL COMPANY.

DEPARTMENT STORE. ELGIN AND DUNDEE, ILL. 1902.

(1916) Every six months the company makes a distribution among all its clerks of 1% of its cash sales during that period. The basis of distribution is the amount of wages received by each clerk, and it aggregates about the equivalent of a month's wages.

The company regards the plan as successful and states that from 1902 to 1914 it has distributed to its clerks under the plan approximately \$13,000.

(1919) F. F. Hall, October 14:

"The plan which we had in operation for ten years previous to our fire in 1914, but discontinued thereafter, was not



strictly speaking a profit sharing plan, since it consisted simply in the distribution to employees, on the basis of the wages which each received of 1% of the total gross sales of the store. This distribution was made semi-annually and was always made the occasion of a festivity, the expenses of which were borne by the firm.

"We felt that one advantage of the plan over that of paying employees a percentage on individual sales was that it gave employees a working interest in the store as a whole, since they knew they would get their share of sales wherever made.

"During the time that we operated this plan we distributed to employees something like \$10,000, our sales for that period averaging about \$100,000 per year.

"One of our rules was that, to share in the dividend an employee must remain to the end of the six months' period; leaving before that time he forfeited his share of the dividend, which was distributed among the remaining employees."

#### HEEBNER & SONS.

MANUFACTURERS OF THRESHERS. LANSDALE, PA. 1913.

(1916) After a fair profit on the year's business is reserved by the proprietor, a voluntary distribution is made to employees, in the form of a stated percentage on their yearly earnings. In 1913, 10% on wages was paid to 80 employees; in 1914 and 1915, 12%. The proprietor states: "We think it a success, inasmuch as it is an incentive to our employees to see that our business is profitable. If it is not profitable, they will get nothing above their wages."

(1919) From a representative of the firm, September 5:

"We have not given any bonus to our employees during the past three years. For several years we had given them a bonus of 10%, 12% and then finally 15%, on their entire wages for the year, giving to every employee, and heads of departments the same. But it did not seem appreciated, and therefore we were obliged to increase wages and then could not afford to pay a bonus at the end of the year."

## HERSHEY CHOCOLATE COMPANY.

HERSHEY, PA. 1908.

(1916) At the end of each fiscal period, a sum is set aside and divided among employees who have been in the company's service during the preceding six months. The amounts given to each are in proportion to their salaries or wages. In 1914, this extra compensation amounted to 20% on wages, and the total distribution was nearly \$100,000. On January 1, 1916, of the whole force, 86% of the force received the bonus. When it was first given, only 20% could qualify. The percentage has steadily increased. The amount this time exceeds \$100,000. All employees, from office boys to executives, figure in the distribution.

The company considers that the plan helps to eliminate the "rolling stones" and to encourage saving and home building.

The company has been sued by a former employee for a bonus claimed to be due him for past services, and it is stated that the decision in this case will determine the outcome of several similar suits against the company by former employees.

(1919) W. F. R. Murrie, president, November 13:

"We have not for several years operated under any profit sharing or bonus plan whatever. We have found that to operate on a straight salary basis is more satisfactory both to the employees and to ourselves."

## HOFFMAN &amp; BILLINGS MANUFACTURING COMPANY.

BRASS AND IRON WORKS. MILWAUKEE, WIS.

(1916) Some 20 years ago this company shared profits with its employees by first setting aside 6% on the capital invested. The balance of the profits were divided equally between the capital of \$200,000 and a payroll of approximately the same amount. After two or three years' operation the plan was abandoned, for the reason as stated by the company as follows:

"We found that the plan worked all right when there were profits to divide but when the firm suffered a loss which the payroll did not take part in our men were rather



out of sorts about it, as they figured that there always must be a profit, and as we had a year where we did not have a profit we found our plan was a good deal of a jug-handle affair. In case of good business the men would always win but in case of poor business the firm alone stood the loss. We had supposed in conducting a profit sharing plan that it would make our men take more interest in the firm's work and business, but we could not find that this was the case. They were always willing to take the proceeds of a profitable business but they did not give us anything in return, and we therefore dropped the profit sharing scheme entirely."

### C. HOWARD HUNT PEN COMPANY.

CAMDEN, N. J.

(1916) Several years ago the company made experiments in profit sharing, one of which was to place at the disposal of each foreman a block of the company's stock, to be paid for from the earnings of the business. The men apparently took no interest in the plan and it was discontinued.

It was the company's custom to give each employee who had worked a full month one day's vacation with pay, or two weeks for a full year of service. The result at first was to keep the help regularly at the factory, but they gradually tired of it until there were very few benefiting and the plan was dropped.

### THE HURON MILLING COMPANY.

HARBOR BEACH, MICH. 1907-1910.

(1916) The company paid a bonus for length of service as follows: For one year's continuous service, 5% of wages; two years, 6%; three years, 7%; four years, 8%; five years, 9%; six years and over, 10%.

After three successive years' trial the plan was abandoned for the following reasons as stated by the company:

"When we instituted this plan we were having some 30 to 33% of changes in our working force annually. We gave as a reason for the paying of the bonus that, owing to the fact that we were chemical manufacturers, it was most important that we should have careful men who were experienced in their jobs and that we did not like to

see so many changes. We gave the plan a thorough trial for three successive years and found that it made no difference whatever in the percentage of changes annually. These took place almost entirely among the floating labor engaged in the outside work, digging sewers, etc., hence we found that they never gave the bonus plan time to reach them. It did not seem to appeal to them at all. At the end of three years the president of the company, who was somewhat suspicious of the popularity of the plan, discussed it thoroughly with a number of our older and most level-headed employees, and they stated that while the plan was satisfactory to them it was not satisfactory to the employees as a rule; they looked upon it as a pension, and the idea generally expressed was this, that if they were earning any more than we had paid them, they preferred to get it on the regular pay days rather than once a year; also that there was a tendency among them to look forward to the end of the year, relying upon this bonus, and to being more extravagant than they ordinarily would. Their statement of the case was too much for us. We immediately raised wages so that no man should lose anything by the loss of the bonus, and eliminated the bonus. We have had no complaints since.

“Most of our employees have lived here for a great many years. They are largely of English and German descent, are very independent, and cannot be classed with the ignorant foreign labor which most employers have to deal with nowadays. We have had a profit sharing plan in our minds ever since we gave up the bonus system but have been unable to find any one in like circumstances to our own with whom it has been successful. There are some manufacturers whose profits are so large either from the fact that they own patents and have a monopoly of certain products or articles, or from other reasons, that they are able to indulge in profit sharing plans and to be fairly confident that they can always continue to have something to share with their employees. In our business, the profits are only normal. Sometimes we have a year of big profits, owing to cheap raw materials, but usually when this happens the next two years the profits will be so small that our average is no more than maintained for the three years.

“We believe in profit sharing and are interested in it, but as human nature is constituted in this country today, or at least in this town, we would want to be pretty sure of our ground before starting any such thing, as if through dull business or bad luck, or for other reasons, we were unable to divide profits for one year, we feel that it would cause a great deal of disappointment and trouble.”



This company has always paid bonuses to department heads and still continues to do so, finding the results satisfactory in every way.

(1919) George J. Jenks, president, November 14:

"We understand there is a plan on foot to get a law in this state this winter which will permit the sale of preferred stock to employees, guaranteeing them a fixed dividend and allowing them to participate in any additional earnings up to the rate of dividends paid on common stock. This will enable employers to permit their employees to participate in profits on what seems to be a reasonable and satisfactory basis. Also, the suggestion of your chairman that profits to employees be not immediately withdrawn from the business but left in for a reasonable length of time, seems to overcome another of the difficulties of profit sharing."

THE S. M. JONES COMPANY.

(Formerly Acme Sucker Rod Company.)

TOLEDO, OHIO.

(1916) Profit sharing was practiced for several years, but it was given up some years ago, according to statement of September 7, 1915.

THE LAKE ERIE BOLT AND NUT COMPANY.

CLEVELAND, OHIO.

(1919) N. J. Clarke, president, November 13:

"We have not had any plan of this sort in force but the old company did install some two years ago a bonus system based on length of service, regular attendance, promptness, etc., which ran from 5 to 15%, and applied to all factory employees. In the main, I would say that it had been a failure as it creates more dissatisfaction than satisfaction by its operation, but this may be due more to the method of handling than to the system itself. As to modifying labor troubles, this has been useless as we are now in the midst of the worst strike we have ever experienced.

"The writer is confident that wage-earners are not going to be satisfied or contented regardless of any type of profit

sharing, bonus or other systems which may be inaugurated but firmly believes that if closer personal relations are established between management and men to the extent that confidence results, the questions of wages and production can readily be settled in a mutually satisfactory manner. In other words, personal contact between employer and employee will do more toward clearing the situation than all the welfare work and profit sharing schemes that can be devised."

H. E. LESAN ADVERTISING AGENCY, INC.

NEW YORK CITY.

(1916) The company put in operation a plan of sharing the profits with its employees, which it described under the head of "Paying Dividends to Workers" as follows:

"The profit sharing feature of the association is arranged on a dividend basis. At the end of each year, every employee is given a bonus equal to a certain percentage of his or her yearly salary. This percentage is based on the profits of the business for the year, and is determined by the executive officers of the company. Last year, in addition to salaries, \$2,000 was distributed among the members of the association as a bonus, on the basis of 6% of the yearly salary of each employee.

"When the association was organized, a system of merits and demerits was inaugurated. These merits and demerits are based on a unit of five dollars and are credited to or deducted from the amount set aside for the bonus at the end of the year. Last year, the merits exceeded the demerits, and the bonus was increased 1½%, making it 7½% of the salaries. One clerk who drew a salary of \$1,000 a year, received in addition a bonus of \$75, while stenographers who made \$80 a month got a bonus of \$72. Five per cent of this is paid at Christmas and the balance on demand after the first of the year.

"The merit system affects each worker's pay. A merit is awarded to any one who suggests an acceptable 'short cut' in business or any system which will save time, labor or expense in any branch of the business."

In May, 1915, the company stated that when the plan was in operation it was successful, but that it had been discontinued, owing to a reduction of the force, for various rea-



sons. "We believe that at the time it was installed and operated it was successful, but . . . plans of this kind depend largely upon the amount of business going through the office."

### THE LOCOMOBILE COMPANY OF AMERICA.

BRIDGEPORT, CONN. 1915.

(1916) In July, 1915, the company announced that it would put into effect a profit sharing plan, similar to that of the Ford Motor Company, to include all employees from floor sweepers to section foremen. There was to be first a wage increase of from 8 to 13% and a bonus division every two weeks in proportion to the wages of each employee, varying in amount according to the number of cars turned out.

Nearly 3,000 employees were affected, but the company states that the plan was in force for a period of only 30 days and was abandoned because the employees expressed a preference for the eight-hour day or 48-hour week.

### METROPOLITAN COAL COMPANY.

BOSTON, MASS.

(1916) The plan put in operation by this company is described and its failure explained by the general manager, in December, 1909, as follows:

"I am sorry to say that the profit sharing plan which we instituted was a dismal failure. This was due, we are convinced, to the false basis on which we tried to found it, namely: the payment to the clerks of a percentage of their salary, proportioned to the increased number of tons which the company sold in any given year. This being with the idea that it would cause more strenuous efforts to make sales, and facilitate the business of the company in general, through the hope of extra reward. It did not, however, work out to that result, principally because the tonnage in our business is so seriously affected by the weather, and in addition the fact that a large proportion of the tonnage is made up of contracts for large amounts of coal, with which the clerks have nothing to do and which no efforts on their part could affect. We also found a general disposition to regard the bonus at the end of the year as a fixed part of the salary, which in many cases was relied

upon to pay bills and meet obligations before it was paid, and we found that the amount varied so greatly that it caused much disappointment and such bitter feeling that after three years we gave up the whole plan. I am, personally, and I know some of our directors agree with me, of the opinion that the fault was with our particular application of the principle, and I have given considerable time and attention to looking into systems of profit sharing, with a view to trying again something of the sort."

### MIAMI COPPER COMPANY.

NEW YORK. 1914-1915.

(1916) In July, 1914, the company offered to all employees the privilege of subscribing to the company's stock at a nominal quotation, to an extent optional with the employee, but with a prescribed maximum limit proportional to the wage or salary earned. The salient features of this plan were described by the company as follows:

The rights and interests of the subscribers as such rest with the decision of the board of directors of the company;

Payments are made in monthly instalments, not exceeding 25% of the wage or salary earned;

Declared dividends are credited as subscription payments and interest on deferred payments is charged at the rate of 5% per annum;

When the subscription is fully paid the stock is issued to the subscriber, and he therefore obtains the same rights of disposal as the ordinary stockholder. As an inducement to retain the stock, a bonus of \$1 per share per year for a period of five years is offered him while he remains in the employ of the company.

Subscriptions are cancelled at the request of the subscriber, or by subscriber leaving service of the company, or whenever subscription payments have been discontinued without the consent of the company for a period of three months.

Upon cancellation of the subscription the payments made by the subscriber are returned to him with interest at 5% per annum, but the dividends credited to the subscription are reclaimed.

The plan has been abandoned for the following reason, as stated by an officer of the company in December, 1915:

"The average number of employees of the company is 1,000. Of these only about 40 participated and the plan



failed to benefit those men whom it was primarily designed to benefit, namely, the wage-earners, practically all those participating being salaried men. It was, therefore, decided not to continue it."

#### NATIONAL CLOAK AND SUIT COMPANY.

NEW YORK CITY.

(See also Stock Ownership.)

(1916) This plan included those employees holding responsible positions, whose efforts would materially affect the success of the business. A certain amount of profits was set aside to be divided among these men. There were three classes, as follows:

Class A. Men who had been with the company a number of years and the character of whose work contributed directly toward the profits as a whole.

Class B. Men also with us for a number of years, but held less responsible positions and whose efforts would contribute in an indirect way toward the profits.

Class C. Men who had been with us a shorter time and who had been recently added to the list of profit sharers.

The Class A men received the largest percentage and the Class C men the smallest percentage in the distribution of these profits. The company does not care to state what percentage was set aside, or to give any further details as to the actual distribution.

At the end of the fiscal year June 30, 1914, the company abandoned the above plan and substituted a stock subscription plan, a description of which will be found among the plans now in force.

#### NORTHWESTERN GENERAL TRADING COMPANY.

SPOKANE, WASH.

(1916) This company reports that its plan was discontinued in 1915.

#### AN OPTICAL COMPANY.

(Name and place withheld by request of company.)

(1916) In 1905 an optical company in a large industrial city made a distribution of the profits of the business to

all salesmen, heads of departments and workmen who had been longest in its employ. The provisions were that:

The capital actually invested should first draw 7% interest, the balance of profits then remaining to be divided in such proportion as the capital invested in the business bore to the salaries and wages of those participating. Seven per cent interest per annum was paid on any profits or funds not exceeding \$1,000 left with the company.

Other employees of the company might participate in the profits upon invitation, but the computation of their share was figured only on the wages earned after date of notification. Any employee not under contract who withdrew from the company's employ, and gave three months' notice, might still participate in the profits while employed. But an employee under contract leaving without the company's consent would not be entitled to any share of the profits for that year. The profit share of a discharged employee was based on the salary earned while in the company's employ. March 28, 1916, the company reported its abandonment for certain reasons.

#### PAGE BELTING COMPANY.

CONCORD, N. H. 1887.

(1916) This plan provided that if a profit above 10% net were earned on the capital stock, the excess up to \$1,200 would be divided among the wage-earners. The bonus was apportioned according to merit, valuable suggestions and economies, and continuous satisfactory service for a year. The company at first considered the plan a success, but it is not now in operation. The reasons for its discontinuance cannot be ascertained.

#### PEACE DALE MANUFACTURING COMPANY.

MANUFACTURERS OF WOOLEN FABRICS. PEACE DALE, R. I.

(1916) In 1878 the company adopted the plan of paying the employees a certain percentage on their respective earnings, according to length of service. The plan, which continued in effect for a number of years, was described and commented upon by the president of the company in December, 1909, as follows:



"We found our plan here was open to the objection that those who were honestly careful and solicitous for the welfare of the company, and who tried to make the individual small savings of waste and wear and tear possible to every workman, were put upon a level with those who paid no attention to their own part in the scheme. When at the end of the year the amount was declared and set aside, the conscientious fared no better than those who had not been so. The result was that those who at first tried to do their part faithfully were affected by the evidence they had that they would fare just as well if they made no more effort than those about them whom they saw making none. It was almost impossible for us to figure out a plan by which the faithful could be differentiated from the unfaithful. That is where the trouble comes in. The plan, like the sun, shines upon the just and the unjust.

"Our plan was exceedingly simple. The dividend declared was entirely optional with the directors, and was stated to the recipients to be a freewill offering on the part of the company. It was not guaranteed to be continued. It was not complicated because it was based on the percentage of the earnings of each one who had been a certain length of time in the employ of the company, seven months in our case.

"In spite of this plan, which was subject to the fluctuations of the business, a strike developed of such pernicious character as to be very difficult to reach. It was among the weavers, who refused to try a kind of work which they had not done before, although it was figured out to the satisfaction of all the experts that they could make more money on the new work than on the old. Being a new departure, they would not try it, and rather than try it they struck. They did not complain of having had too small wages before. They only complained of being asked to do something they were not asked to do before, which seems so irrational a ground as to be hardly believable, and yet I am sure there was no other ground.

"My objection to the plan is then fundamental. At present we are in a very great quandary to know what to do. The strike has been long since cured, and the men were proved to be in the wrong. They came back without obtaining any of the points they sought to establish, among others a closed shop, but it was a very trying affair."

#### PILLSBURY-WASHBURN COMPANY.

FLOUR MILLERS. MINNEAPOLIS, MINN.

(1916) In 1882 the company adopted a plan of paying out of its profits a bonus to its responsible employees in the

offices and mills, including its skilled workmen. The plan continued in effect for a number of years, during several of which the company paid a bonus. But its successor, the present Pillsbury Flour Mills Company, states that the plan was abandoned because it did not work out successfully.

(1919) Albert C. Loring, president, Pillsbury Flour Mills Company, November 23:

"The Pillsbury Flour Mills Company have no profit sharing plan, but, as undoubtedly all other progressive manufacturers are, they are materially interested in the subject and are watching the developments that are taking place in the country.

"The Pillsbury-Washburn Flour Mills Company, Ltd., predecessors of the Pillsbury Flour Mills Company, at one time had a profit sharing plan, which proved to be entirely unsatisfactory. In most instances the men had spent their money in anticipation of receiving the dividend; and when it failed to come they were antagonistic to the management and severely criticised it. Disorganization throughout the plant was very noticeable. The writer at that time was connected with an organization competing with the Pillsbury-Washburn Company, and being outside was in a position to hear the criticisms and remarks of the men in the employ of that company. He was thus able to judge how demoralizing the situation was, and to what extent it injured the efficiency of the men. Ultimately, the company broke down and went into the hands of receivers, not, however, due to the lack of loyalty on the part of its men, but the profit sharing basis did not tend to make the situation any brighter.

"It is a very difficult problem, and the study of it by the many interested undoubtedly will ultimately develop some method that will have the maximum of good points, while it is to be doubted that they will be free from some ground for criticism."

#### THOMAS G. PLANT COMPANY.

SHOE MANUFACTURERS. BOSTON, MASS. 1905.

(1916) A profit sharing dividend was paid quarterly to employees who had been with the company not less than



three months and who met the requirements of a system of ratings in respect to attendance, cleanliness, deportment, industry and quality of work.

For the purposes of this rating system, the employees were divided into four classes. The dividend to Class A was equivalent to one week's pay; to Class B, four days' pay; to Class C, two days' pay, while those in Class D received no dividend. The rating was by points which were placed to the credit of employees as follows: 60 points for first class work; 45 points for the best record of lates and stayouts; 30 points for good workers and 20 points for cleanliness and deportment. The foremen submitted weekly reports of the markings and a committee appointed by the company passed on the records and classified the employees accordingly. The company also made the offer that if any employee would leave 10% of his wages on deposit, the amount to his credit would be doubled and the total might then be withdrawn at the employee's option upon one week's notice.

Mr. Plant severed his connection with the company upon its transfer to other ownership, and the profit sharing was discontinued at the end of 1910. On Christmas of that year employees who had worked in the factory for five years or more received from Mr. Plant a gift of not exceeding \$10 for each year of their service.

#### RINGWALT LINOLEUM WORKS.

NEW BRUNSWICK, N. J. 1914.

(1916) The company reports (March 28, 1916) that its plan, which was started largely in the nature of an experiment and which applied principally to heads of departments, was discontinued recently as the results did not seem to warrant its retention.

#### ROGERS PEET COMPANY.

CLOTHIERS. NEW YORK CITY. 1886.

(1916) A fixed proportion of the profits was divided pro rata among the employees, not including heads of departments. The distribution ranged from  $2\frac{1}{2}$  to 5% on the annual salaries or wages. According to N. P. Gilman in his

"Profit Sharing Between Employer and Employee," a member of the firm stated in 1887 that under this plan the men were working with more zeal and intelligence than they had ever shown before, doing the same work in 9½ hours that they had previously accomplished in 10.

After four years' trial, the plan was abandoned on account of a strike participated in by a considerable proportion of the profit sharers. The vice-president of the company states that it has been the general impression of the principal officials since the discontinuance of profit sharing that it was "a complete failure in its primary object—to wit, the development of a more intense spirit of loyalty, for as above stated, the scheme expired in a strike."

#### ST. LOUIS SHOVEL COMPANY.

ST. LOUIS, MO.

(1916) A profit sharing plan was in operation a number of years ago at this plant, which is owned by the Ames Shovel and Tool Company. The plan was abandoned on account of a strike, which the company states was not for higher wages, but for unionizing of the plant. The shops were closed for four months and profit sharing was discontinued.

#### SAUGERTIES MANUFACTURING COMPANY.

MANUFACTURERS OF BLANK BOOKS. SAUGERTIES, N. Y. 1901.

(1916) For a number of years a profit sharing dividend of 5% on wages was distributed among the employees, but an officer of the company states that it did not accomplish the intended purpose of encouraging co-operation. It was found difficult to discriminate between those who were entitled to the extra payments and those who were not, and it was felt that a distribution only to those entitled to it would engender ill feeling and discontent. The scheme was abandoned in 1911.

#### THE SPENCER WIRE COMPANY.

IRON AND STEEL WIRE. WORCESTER, MASS. 1915.

(1916) This plan is identical with that of the Farr Alpaca Company, excepting the rate of dividends paid, which



at present is 6%. All of the company's 750 employees are affected. In its announcement to the employees of the adoption of the plan, the company states that it is intended to encourage increased production and avoid frequent changes in the force; and that it is hoped the profits will be increased by the employees taking a personal interest in the continued success of the business.

(1919) H. W. Goddard, president, September 4:

"We have abandoned the plan entirely. . . . In regard to the feeling, it may have been appreciated by some, but, if so, they did not say so. The loud mouthed ones had no end of objections and expressed them frequently. We did not find that it eliminated or modified labor troubles. . . . None of our directors or heads regarded the plan as a success. It failed because the men did not regard it as profit sharing by any means, but frequently said that it belonged to them. They said that the company would not give them anything unless they could well afford to, and if they could afford it it belonged to them anyway, and they wanted it in their pay envelope every week. Our plan was simply to pay labor the same percentage of dividend on their wages that the stockholders received on their shares of stock. There were no strings to it. At the time we abandoned the plan we were paying the stockholders 10%. There was so much talk and criticism that we notified the employees that this 10% profit sharing would be abandoned forthwith and in its place we would give them a straight advance of 10% in wages, payable each week. This was done notwithstanding that we had made a general advance only a very few weeks before and were making regular advances to conform with the labor market.

"We have no desire to adopt the plan again. It may be that we took a bad time to adopt it, just previous to the war, when labor conditions were abnormal, but the result we hoped and tried to obtain was the elimination of labor turnover, to secure loyalty and the elimination of carelessness, accidents and waste of material by making the employees participate in a way in the profits. We did not find any of these results, but a man would leave us for 25 cents a day more pay, although at the end of three months he might have a wage dividend coming to him of \$25, which, as you can see, would be 33% more than he received by making the change. The

fact was, however, that he could see the \$1.50 more in his envelope every week, and he did not want to wait three months for a larger sum. We tried to explain to them. Some could see it, but others said, 'If it is coming to us, we want it in our envelopes every week.'

"Our accidents increased 25%. This may have been due to the necessity of hiring so many new employees who were careless.

"Elimination of waste. We did not find this result, but on the contrary an increase of waste because the men were so anxious to make big money that they would not take proper pains with their work. This was in order to secure as much money as possible from their job rates. These, of course, govern production, and they would throw away or get out of sight even good material if there was a little bother connected with it or if it took a little time to rectify."

#### SPRINGFIELD FOUNDRY COMPANY.

SPRINGFIELD, MASS.

(1916) About 20 years ago this company maintained a system of profit sharing, which was discontinued for the following reasons, as stated by the president of the company:

"We abandoned profit sharing because it did not seem to create the spirit of harmony between the workmen and the officers of the company that we anticipated it would; and the workmen seemed to get the idea that they should be consulted on matters of management of the company's affairs, rather than being willing to confine themselves to shop conditions and shop details."

#### UNION MINING COMPANY.

MOUNT SAVAGE, MD. 1886.

(1916) A dividend on wages, equivalent to 10% of the dividends declared on the company's stock, was paid to all employees who had been with the company six months or longer. Under this plan, the 300 employees received two dividends, but the profit sharing was then discontinued on account of a strike. The president of the company, as quoted by N. P. Gilman in his "Profit Sharing Between Employer



and Employee," made the statement with reference to this experience: "I do not believe that interest or painstaking in their work has quickened among 5% of the force." The men apparently considered "only the money advantage, without taking in the idea that by their own efforts they could increase it."

On the eve of the strike in 1887, according to Dr. Gilman, "the president called the men together; corrected a misapprehension on their part that certain new works, costing some \$40,000, had been built out of profits (no provision had been made for calling in an accountant); pointed out the excellent prospect for a dividend, which they would forfeit by striking; declared that a strike would surely put an end to the profit sharing plan; and appealed to the more independent of the men to organize in support of the company. He offered an increase of 5% on wages, with the conditional promise of as much more at the end of twelve months. But the men struck (only one standing by the company), and afterward refused offers of arbitration under three different forms. The strike lasted ten days and then began to break; but there were troubles again in May and September, which further crippled the operations of the company, and spoiled the best business season that had ever offered itself; the employees themselves lost in wages and dividends between \$6,000 and \$8,000 in ten months. The profit sharing plan was given up at the first meeting of the directors after the strike."

#### THE WARD BAKING COMPANY.

NEW YORK CITY. 1913.

(1919) This company discontinued its plan several years ago, finding it to be unsatisfactory.

#### WASHINGTON RAILWAY AND ELECTRIC COMPANY.

WASHINGTON, D. C. 1912.

(1916) It was found in 1911 that 26% of the gross earnings of the company had been required to pay trainmen's wages and damage claims. Every year since that time the company has divided among the conductors, motormen, depot clerks and starters the difference between the amount of the

wages and damage claims and the fixed sum of 26% of the earnings.

The distribution is based on the length of service from one to twelve months, all men in the service one year or longer receiving the same amount.

The company started this scheme in order to reduce the accidents and induce more careful handling of fares, but according to their 1915 report the men failed to grasp the situation. Damage claims and accidents increased so that the share of profits for men in the service a full year or more was only \$21.17, as compared with \$42.53 for 1913. In part explanation the president of the company cited three accident settlements involving a total expense of \$22,563.95, which alone diminished the profit sharing check by \$30.76. This official concluded that "general co-operation has been lacking," and stated that a plan had been adopted for giving special recognition to the faithful employees, "both by marking them for preferment and increasing their share in the profits." There are about 800 employees, and under this new marking system the distribution in January, 1916, to full year men having no demerits was \$23.17. The total distribution was in excess of \$15,000. The company reports in February, 1916: "The plan has worked satisfactorily, both to the men and to the company."

(Since this analysis was prepared the plan has been abandoned as the result of a strike occurring on the lines of this company early in March, 1916. In the settlement of the strike the employees have secured a reduction in working hours, increases in wages, a provision for arbitration of grievances and certain other concessions. During the strike the company posted a notice to the effect that all men who remained at their posts would receive on April 5 a cash bonus of \$25 "as a preliminary payment from the 1916 profit sharing fund." In consequence of the new concessions, however, the company has discontinued all benefit, relief and profit sharing features.)

#### WAYNE CUT GLASS COMPANY.

TOWANDA, PA. 1914.

(1916) The directors voted to set aside a certain percentage of the net earnings for distribution among employees



who had worked faithfully for the company at least one year. Soon after the passage of this resolution there was a material change in business conditions, which the company ascribes to tariff legislation, and instead of a surplus to distribute the year's operations showed a deficit. The management states that the workingmen were not willing to take this fact into consideration and share the losses by accepting a reduction in wages, and that all consideration of profit sharing has therefore been abandoned for the present. When conditions permit, the company expects to take it up again.

### WILLIAMS BROTHERS COMPANY.

LUMBER DEALERS AND MANUFACTURERS OF LAST BLOCKS.

CADILLAC, MICH. 1914-1915.

(1916) On January 1, 1914, the company inaugurated a plan under which each employee was to be paid a bonus of 3% of his wages earned through the preceding year. The plan was abandoned after one year on account of business depression.

The company states that the plan did not work out to any great advantage to the company, for the men seemed to accept it as a matter of course, and several who had been with the company from 10 to 20 years left for other places, going on farms, et cetera. The company also states that it was its intention to increase the percentage each year until it equaled 6 or 8% of the net payroll.

### A WINDOW GLASS MANUFACTURING COMPANY.

J. R. Johnston, secretary-treasurer, National Association of Window Glass Manufacturers, Pittsburgh, Pa.:

"While it has no bearing on the present plan, the writer many years ago adopted a profit sharing plan, which worked splendidly as long as there were profits to divide, but when a long period of depression came and profits disappeared, the employees in no sense desired to participate in a loss sharing plan. If the proposition is to regulate wages according to earnings, it should be a give-and-take proposition, and if employees' incomes were regulated by profits and losses automatically it should be applied both ways; in that way it would

be absolutely fair to both employers and employees and would not require dickering or arbitrary methods to arrive at exactly the right status. I mention this because nearly every person talks profit sharing but makes no mention of the other features of the arrangement."

WRIGHT & POTTER PRINTING COMPANY.

BOSTON, MASS.

(1916) In a letter of March 27, 1916, the president states: "An ancient attempt of this company at profit sharing was made but after its failure nothing more was done. Our company has to-day no interest whatever in the matter and owing to our being governed so to speak by the typographical union we feel that any endeavor to establish a profit sharing system would be useless."



## PROPOSED PLANS.

Plans in the making or at the stage of initiation possess the interest of the reader's appraisal. They may indicate either the ingenuity of a manager having independent initiative or the reasoned conclusions of a student of the subject. In either case they are worthy of consideration by followers in the same path. No matter the failures, tentative effort in the domain of profit sharing is constant.

### BRODERICK & BASCOM ROPE COMPANY.

ST. LOUIS, MO.

(1919) Joseph D. Bascom, secretary and treasurer, November 24:

"Our firm has not put any plan into operation, although we have had it under consideration for some time. Average number of employees, 350 to 400. I understand the men are only partially pleased with the proposed plan. They prefer to get increased wages, for they struck for higher wages and shorter time, without giving us an opportunity to discuss the matter with them, and within a few months after the publication of the plan.

"Whatever profit sharing plan we adopt will probably be on the basis of time of service. The longer a man has been in our employ the greater the percentage he will get of the profits, there being of course a limit to the employees' time of service; that is to say, a man 10 or 15 years in our employ would receive a certain percentage; one 15 years or over a greater percentage. We have men in our employ 40 years, but it is doubtful whether we would increase their percentage much over one who has been in our employ 15 or 20 years. Our plan will not be limited to the heads of departments, but will include the rank and file. In fact the per cent of profit would be greater to the actual producers and less to the heads of departments because of the higher wages received by the latter."

## JOHN A. CASEY COMPANY.

NEW YORK.

(1919) Frank S. Gannon, president, made this announcement, December 31:

“For two years beginning January 1, 1920, the following plan of distribution of surplus profits is to be adopted: 1. Set aside \$25,000 to cover: (a) A sinking fund (to pay off mortgage), \$7,500; (b) A reserve fund (to cover depreciation and unforeseen losses, \$5,500; (c) A 6% dividend, \$12,000. 2. The secretary and treasurer shall be paid 10% of the increase in the net earnings over those of the preceding year. 3. After deducting the amounts provided for herein above, divide 30% of the surplus among all employees who have worked continuously for the company during the previous six months on the basis of their individual earnings, guaranteeing them a bonus of 10% of their wages for the six months previous to July 1 and December 31 of each year, which 10% is to be paid whether or not there is a surplus. This bonus shall be distributed 10% on July 1 and 10% on December 24 of each year. The division of surplus profits shall be made on February 1 and August 1 of each year, at which time will be deducted the 10% which shall already have been paid to the employees on the preceding July 1 and December 24.”

## EASTERN SHORE OF VIRGINIA PRODUCE EXCHANGE.

ONLEY, VA.

(1919) A. J. McMath, secretary-treasurer, November 11:

“Our exchange being a farmers’ co-operative organization, which handles the products of about 4,500 farmers in Accomac and Northampton counties, known as the Eastern Shore of Virginia, we have for several years, in accordance with our by-laws, been refunding to shippers one-half of the actual profits. We feel, however, that our policy will have to be enlarged so as to take in the officers and employees of the exchange, and to this end we will give the matter serious consideration during the next few months.”



## THE H. A. MARR GROCERY COMPANY.

DENVER, COLO.

In a communication of December 3 this company described the profit sharing plan which it contemplated adopting January 1, 1920. This makes it an object to employees to reinvest in the company the profits shared with them. The amount of profits and volume of business of the profit sharing year are to be made known to all the employees, whose number is approximately 70. Necessarily, in a business of this kind, no general flat bonus can be contemplated, but the payments are varied according to position, responsibility and possibilities of success in management. The assistant general manager, who is also sales manager, is to receive an amount equal to 10% of the increased net profits of the business as a whole as compared to the previous year. The three managers of merchandising departments are to receive an amount equal to 10% of the increased net profits of their department. Carefully worked out proportions, based on savings in operation of departments, are to be given the warehouse and shipping superintendents, the office manager and the manager of credits, and all the sales force is to be paid on a salary and bonus basis. This plan takes the place of a previous profit sharing method, which proved not entirely satisfactory. By it many of the employees owned common stock.

## NEW ENGLAND HARDWARE DEALERS' ASSOCIATION.

(1920) At the annual convention of this association, held February 26, in Boston, as announced in the press, 60% of the delegates voted in favor of distributing stock in their respective concerns to employees "and so make workers profit sharers as the best means of solving the wage problem." Several delegates speaking in favor of the principle described their methods of giving bonuses in proportion to sales, or of distributing shares according to efficiency and time of service.

## ROBERT REIS &amp; Co.

In January, 1920, this firm announced for self and subsidiary companies a plan in which employees in service since January 1, 1919, may voluntarily participate. The maximum subscription is 14 shares of preferred stock with one

share of common for each two of preferred. Subscriptions for preferred stock, par value \$100, are to be accepted at \$95; and for common stock, \$20, which is less than the market price. Instalments are \$1 per share per month for preferred stock, and 25 cents for common. Bonuses on the stock are also to be paid. Provision is made for interest on withdrawals. An executive council to represent the employees is to be composed of mill superintendents, foremen and representatives of selling and other groups.

O. W. RICHARDSON & Co.

CHICAGO.

(1919) R. T. Richardson, vice-president and secretary, November 11:

"We have not used any profit sharing plan to date, but have developed a plan which we expect to start about January 1:

Applies to all employees of a group, to be called "group O," composed of all employees except executives, directors, sub-executives, and salesmen. All group O employees will share pro rata each month in the distribution of group O funds created in the following manner: The group O fund is to be created each month by receiving credit from the company for 50% of the saving in operating costs; this operating cost to include the payroll of all members of group O plus the cost of controllable expenses such as stationery, supplies, lights, etc. This cost each month is to be figured in percentage to the net sales and compared with the average similar percentage for the same month for three previous years.

The payroll figures to be considered for the last three years as well as the current year, are to cover only the classes of workers now composing group O. The participants will share according to the percentage of the salary paid to them during the month to the total payroll of group O for the month.

The distribution of the funds to be made monthly, between the 25th and 30th of each month for the saving of the previous month. The sales figure on which the percentage is to be based is the combined wholesale and retail sales less all returned items or credits and less any returns to factories or other purchase accounts which may be included in sales.

The factors controlled by each individual employee affecting this fund are: Steadiness of employment re-



ducing labor turnover, uninterrupted attendance, promptness in starting work, application to duties throughout the day, more efficient methods of working in every department, suggestions for more efficient handling, economy of time, supplies, light, etc., and by each employee having an interest in the results as a partner in the business.

It is estimated that it is easily possible for employees to increase their salary by bonuses equivalent to at least 10% of their salaries.

## SAN DIEGO SAVINGS BANK.

SAN DIEGO, CAL.

(1920) J. W. Sefton, Jr., vice-president, January 5:

"January 1, the San Diego Savings Bank adopted a profit sharing plan. An outline of the principal features follows: The proposed plan aims at the creation of a surplus account to be known as employees' surplus, against which certificates of participation bearing 6% interest will be issued to employees eligible to participate in the earnings of the bank. These certificates shall be non-transferable and non-negotiable but may be retired by the bank at the option of the holder at any time after three years from the date of issue at par and interest, upon the holder giving the bank 60 days' notice of his intention to present the certificate for retirement, or in less than three years at the option of the bank should the holder for any reason leave the service of the bank, or upon demand in case of the death of the holder of any certificate. . . .

"In ascertaining each employee's investment there shall be added to the total salary paid him by the bank during the period to be figured, 10% for each year of continuous service after the first year until a maximum of 50% has been reached, after which there shall be no further increase. . . .

"Six per cent shall be considered a fair return on the stockholder's investment. Ten per cent of the remaining earnings shall be credited to the employee's surplus, and certificates of participation in the same amount shall be issued to all eligible employees in proportion to their participation. . . .

"The employees may appoint from among themselves a committee of three whose duty it shall be at the close of each period to verify the bank's statement of earnings for that

period and report their findings to the employees. The employees' committee may take up with the officers any items in the bank's statement which they do not understand or upon which they may wish to raise a question."

### WINSHIP, BOIT & Co.

#### HARVARD KNITTING MILLS. WAKEFIELD, MASS.

This firm, in January, 1920, established profit sharing and co-partnership, 800 employees to be included in the plan. Half the net profits of each year's business will go to the "employee partners," 50% of which is to be paid in cash and 50% in the working capital, which is to draw 6% interest. The dividends to employees are proportioned to length of service. For 1919, one year's standing qualifies for 20% on wages, and for each year's further service an additional 1% is given. Forms of mutual aid and improved working conditions are provided for. Dependent widows of employees and children under 14 years are provided for from the general expenses of the company. An employee of five or more years' standing, on reaching the age of 60, will have the right to withdraw each year 50% of the amount credited to him. The employees may employ their own accountant to ascertain net profits. Proprietors retain right of full control and of power to discharge, enlarge or decrease the force.

If at any time the interests of the employees exceed that of the proprietors, either side may initiate steps to form a corporation or association to run the business. Employees share in losses as well as in profits. The firm reserves the right to abrogate the agreement in two years, if it appears to have failed in its purpose, which as outlined in the preamble is:

"To promote more cordial and profitable relations between the proprietors and their employees; to increase interest in the welfare of the business; to induce greater care and economy in use of materials; to awaken pride in the manufacture of the best possible product, and to encourage economy and thrift among the employees, that they may be better fitted for the discharge of all duties of civic and private life, and especially for the better education of their children and elevation of the standard of civilization."



## PRACTICE AND THEORY.

### IN THE MOTOR TRADES.

(E. S. Fuljambe, New York "Times," January 4, 1920.)

"Almost all of the known methods of profit sharing, bonuses, premiums for rapid production, co-partnership plans, employes' representation, home building plans, etc., are in successful operation among the manufacturers of cars, trucks and parts.

"The bonus systems in most cases include continuous attendance and length of service as requisites, six months' continuous service usually being the minimum. Bonuses are then paid at the end of nine months and at the end of twelve months. Such bonuses were established in certain plants as a war measure but have been continued.

"The anniversary check plan, which is very successfully used by one large manufacturer, allows each employee to receive an anniversary check on each anniversary of his employment, based on his total earnings for the previous year. On the first and up to and inclusive of the fourth anniversary the workers receive 5% and on the fifth and each succeeding anniversary 10% of earnings during the year in addition to their salary.

"Co-partnership arrangements are also quite common, but continuous service is necessary to entitle the employees to purchase stock of the company. Stock to the amount of 20% of annual earnings may be purchased by any employee who has been with the company three months or more. Stock applications must be accompanied by an initial payment of 10%; 50% of the cost of the stock is taken care of by the employer, provided the employee remains in service and in good standing for four years. The other 40% is paid by the employee in instalments during the four years.

"In one plant all factory employees who have been in service for two years or more are entitled to annual vacations of one week with full pay. Another maker who manufactures

bodies allows a certain direct labor cost for each particular type of body, and if the body is built for less the difference is divided with the men.

"A liberal profit sharing plan is in operation by another maker who divides with the employees 25% of the profits pro rata in proportion to the amount of money paid to each employee that remains in the employ of the company throughout the year. By this means, any employee has it within his power to make his dividend large or small in proportion to the quality and amount of the work he does.

"In other factories a 10% bonus is added to the pay envelopes of the men each week provided that they have not been late or absent. This maker reports a very greatly decreased turnover in help as a result. A \$1,000 paid-up life insurance policy is provided for each employee free of cost and increased to \$1,500 at the end of the first year's service.

"Another successful method of profit sharing is dividing with the men a definite percentage of the profits as wages. This dividend, however, which runs from 6 to 17%, is paid every two weeks in an envelope marked 'employees' dividend.' This represents the workers' share in the profits resulting from increased activity and greater efficiency. In one instance, the result of this system was an actual shortening of hours from 53 to 50 per week; at the same time production was increased 8%.

"Still another method is the setting aside of a definite percentage of the earnings of the company to be divided among the employees in the form of wages. This method with one firm has resulted in accomplishing the same amount of work with fewer employees; which, of course, means that each employee receives a larger wage. It is to the workers' interest to produce the largest amount possible with the smallest number of men. A notable example of the results of this system was an increase in wages of 50%."

#### IN THE BUILDING TRADES.

O. W. Norcross, Worcester, Mass., an octogenarian contractor and builder, had views founded on unusual experiences. He recently wrote to Mr. Perkins as follows:

"I think you have suggested the proper solution of this problem, the most important one that confronts the world



to-day. One's opinion about anything depends on his knowledge and experience of the subject, and few men have had the experience that I have had in handling men. As a general contractor I have dealt with all kinds and conditions of men for a period now extending over 50 years. I presume that no man in the country has had so much trouble and embarrassment as I have had with strikes, commencing with the Marshall Field Building in Chicago, which I was building at the time of the Haymarket riots.

"As general contractor, at one time we did within the limits of our organization all the different trades, such as granite cutting, marble work, mason work, carpentry, heating, plumbing, direct with the men, that is, we did not let these out by sub-contracts. I therefore have been brought in close connection with all kinds and conditions of men, and I sometimes have confessed to an undercurrent of sympathy with some strikes, but most of them are wrongly conducted, and we could have arrived at the present conditions of greater reward for labor without the strikes. . . .

"The drinking habit has been the great curse that has underlaid all of our labor troubles. It was a provable fact that in a payroll of marked bills at McKeesport some 15 or 20 years ago, of \$10,000 of money paid out as a payroll Saturday night, \$7,500 of it was returned through the saloons. I have had much to do with individual men and have been so popular even with unions that at one time a whole granite cutters' union of 200 men in Milford threw over their union because they thought I was right. . . .

"Many a man who could not afford it has increased his living expenses without at all increasing his happiness.

"In my opportunity to be acquainted with many different trades, I have studied the individual man. I believe that to-day our so-called labor organizations are controlled by a minority, that minority being a radical minority, which as a general thing would as soon fight as eat, and includes some able men and good talkers, but not great thinkers. The very large majority of men simply want to be treated fairly and have a fair share of the great benefits which our present civilization confers on everybody in America. . . .

"I would say that I consider it would be best to have eight hours as a basic measure of a day's work, something to add

to or something to take from. The 24 hours is divisible by eight, and if it is necessary to work shifts, this is more easily managed with eight hours than with any other number. I consider it important to have a measure of what might be called a day's work, that any employer of labor can call on those he employs and who are associated with him, to render to the world for what they get out of the world at the present time. There are many trades in which this might be varied, for instance I think it possible a miner, who works underground, lies possibly on his back, should not work perhaps eight hours a day. Of course, those people who work in tunnels and under air pressure, commonly known as sand hogs, cannot possibly work more than from two to four hours per day, and this difference may be greater or less in other trades, but eight hours is a fair day's work.

"The payment should always be by the hour. It was always my custom in the shops where it could be arranged, if business got dull, instead of discharging the men, to lessen the hours all around."

#### SOME PROBLEMS INVOLVED.

W. O. Lichtner, the Thompson & Lichtner Company, consulting engineers, Boston, Mass.:

"There is no doubt that the plan as worked out by Mr. Perkins, if under his personal supervision and with his personality as a factor, might bring excellent results, but it seems to me that it is only in this way that it would prove workable, the reasons being:

"1. The employees naturally distrust the correctness of the financial statement. The details of the statement, in which they are asked to put their faith, involve an analysis of costs including: Purchasing of materials, sales expense, overhead expense, machinery burden, direct expense of labor, etc. How many workmen know anything of costs and accounting and can form any approximate idea as to whether or not they are correct? Will a financial statement show this? The answer is most certainly, No; for any one who has any knowledge of costs and accounting is well aware that accounts can be juggled to show almost anything. If you don't believe it, refer to any of the accountants who are checking up concerns on their income tax returns. Now,



since accounts can be made to prove anything and the workmen know this, how much faith would you expect them to have in a proposition where the accounts are necessarily kept by the company and may be juggled to their hearts' content? The answer in many cases has been none.

"2. The plan is based on the business as a whole, which involves many variables over which the employees have no control. What effect can the interest or effort of the employees have on such strictly management problems as the following? Investment in plant, investment in machines, advertising, buying of materials, sales expense, wages of executives and directors, losses on bad accounts, etc. Although the men exert all the effort possible, there may be no profits, because any or all of these things have been poorly executed. When this happens the men rightly feel that they have had no proper return for their increased effort.

"3. The plan forces the employee to invest money that he earned by his extra effort, and does not consult him as to whether he would not prefer being paid individually the full return for his increase in effort. Take yourself, if you were an A-1 mechanic, would you be willing to be a party to an undertaking whereby your individual efforts go into a general big pot, and at least part of your extra endeavors are used to counteract the shortcomings of some inefficient ones in your organization?

"4. The plan withholds from the employee money which he should have had from week to week. The 'fairer remuneration' of which Mr. Perkins speaks should be a remuneration in proportion to individual effort, and it should be certain, not subject to the effort of other men or the general functions of the management. The only practicable plan to give a fairer remuneration to the employees is to determine definite standards as to output, quality, and saving in waste of material, and then pay them fairly for reaching the standard."

F. C. Spencer, president and treasurer, I. S. Spencer's Sons, Guilford, Conn.:

"A large number of employees are only concerned in the immediate future; 'sufficient unto the day,' and to them 'a bird in the hand,' etc., so the question of an interest in the business naturally does not appeal to this class. Further-

more, many of us know the futility of the co-operative plan for conducting business. This has proved a failure in nearly every case, for a jealousy usually arises due to the difference in employment and compensation received, which is invariably reflected in the work accomplished, and in a number of instances has forced the business into bankruptcy.

"It seems to be impossible to convince workmen having a voice in management that they are not entitled to a fancy profit, as experience shows. The employers in some industries cannot afford the liberal treatment of employees which others easily practice; neither can the employees in some countries experience the prosperity enjoyed by those of other countries, because of a difference in natural conditions, which is unavoidable."

C. W. Garrett, statistician, Pennsylvania Lines:

"We have not had on the Pennsylvania Lines any plan or system of profit sharing, nor do we have any in contemplation. It is a subject in which we are greatly interested, however. Some of our corporate officers are personally interesting themselves in a plan for facilitating the purchase of stock by employees, but during the period of federal control these subjects have of necessity been allowed to drop. . . .

"Railroad rates and wages are so fully controlled by outside agencies that the operating corporations have very little opportunity of determining whether any profit sharing plan would be advantageous."

The Jeffrey Manufacturing Company, Columbus, Ohio:

"We have never yet been able to bring ourselves to believe that we could work out a satisfactory profit sharing plan. Our investigations over a number of years confirm our opinion that it is a most difficult problem. Personally I do not believe that under our present industrial system any scheme of profit sharing can be instituted that would be satisfactory to all parties concerned. The reason for this is that the average worker must have a certain amount of income in order to live. This is absolutely necessary whether there are any profits to share or not. Any plan of sharing profits ought to include the sharing of losses. This, of course, is impossible from the standpoint of the worker."

George G. Lobdell, Jr., president Lobdell Car Wheel Company, Wilmington, Del.:



"Profit sharing would doubtless work all right when times are good and there are profits to share, but we fear it would only cause dissatisfaction in dull times when there might be nothing to divide. We have always tried to keep our men satisfied by paying them fair wages and affording them good working conditions and have had very few serious labor troubles in the 83 years we have been in business. We are now employing about 250 men at our works here."

Arthur M. Greene, Jr., Rensselaer Polytechnic Institute, Troy, N. Y.:

"I approve of his [Mr. Perkins'] scheme most heartily. My main objection to all profit sharing schemes has been that although the workman shares in the profit he does not share in the losses. By Mr. Perkins' scheme this objection is removed in that the profits above those for fixed charges for both employer and employees are retained as a surplus until the expiration of several years during which time losses could be made up by means of this surplus.

#### IN ELECTRICAL RAILWAY UNDERTAKINGS.

The American Electric Railway Association's Committee on Welfare of Employees, in discussing co-operation in their 1912 report, said:

"Probably the most advanced step in co-operation is that of sharing profits with the employee. This puts him on a footing with the stockholders of the corporation, and has the faculty of creating in him a close personal interest in the company's prosperity. He feels that the larger the profits, the larger will be his share, and he will be most exacting for economies in operation and care of company property both on his own part and that of his fellow employees. Various forms of profit sharing have been tried or are in vogue, the earliest of which was put into effect in Denver in 1898 when the company divided with the men any excess over certain daily receipts. The next year at Columbus, Ohio, the same rate of dividend was paid upon wages as was paid upon the company's stock. Two years later at Detroit the company purchased its own stock in the open market and allowed its employees to buy it at the same figure, paying for it in instalments of \$5 a month. In 1902 in British Columbia one-third of all surplus remaining after a 4% dividend was paid to stockholders was divided among the employees. In 1909 at Spokane,

Wash., stock was sold to employees on easy terms, while the company at Decatur, Ind., had for some time hired no trainmen who would not purchase one share of stock and subscribe for five more. It was claimed that the latter practice created among employees such an interest in the company's welfare that no avoidable accidents had occurred since its adoption, and that while some good men may have been kept out of the service the number excluded was small and the company was kept free from the shiftless ones who were most likely to be careless."

(1916) W. D. Mahon, International President, Amalgamated Association of Street and Electric Railway Employees of America, writes:

"With regard to 'the attitude of the American Electric Railway Association,' I note the profit sharing propositions that are described therein. I am not familiar with the Denver or Columbus methods. I know from personal experience that the employees in Columbus are hardly making enough to keep soul and body together, and they surely are in need of some of the profits of that company. As to the statement that the Detroit company purchased its own stock in the open market and allowed its employees to buy at the same figure, paying for it in instalments of \$5 a month, I would say that that occurred some years ago, but there was nothing developed or came of it. The stock wasn't worth much, some few of the men bought a little of it, and then the proposition dropped, and no one has paid any attention to it for a number of years, and I doubt if there are ten of the employees that have purchased any of the stock. As to the British Columbia plan, it is true that in 1902 the street railways of Vancouver, Westminster and Victoria were owned and operated by the same company, and it did inaugurate profit sharing, not one-third of the surplus after the company had paid a dividend of 4% but one-fourth. This was in operation for about four years, not to exceed six, and then discontinued. It was agreed between the company and the employees that the amount going to them by this profit sharing method was nothing but a wage, and it was dropped entirely. As to Spokane, I am not familiar with that, nor with Decatur, Ind. Decatur is a very small place, and there couldn't be much there to share with any one. In Spokane the company had opposed the organization of their men in every shape and form, and if they would share with them a little of the liberties that are enjoyed by the other workmen of the country, and give them the right to organize and speak for themselves in wage contracts and conditions of that kind, it would, I imagine, be worth more than any profit sharing plan that may have ever been inaugurated."



## IN BIG INDUSTRIES.

Charles M. Schwab, in an address before the Aldine Club, New York, February 16, 1916, pointed out that "brains are a bigger asset than money," and said: "I believe in profit sharing with department heads and with workmen who by their personal efforts add to the profits of an enterprise by economies or increased output. If an employee can by his own efforts add to the concern's prosperity, he should share in that prosperity."

Mr. Schwab stated that his idea of proper management was to give the individual some important part in the industry to stimulate his interest, and that that made the manager feel that he was the prime factor in the enterprise. "If that is true of the manager and the salesman, it is equally true of the laborer," he continued. "In every establishment of mine I carry out this principle and put aside 15% for this purpose before apportioning the profits." The success of any big undertaking or industry in the future would depend on this profit sharing scheme he had applied, he declared. It is a cash distribution, based upon results obtained.

"It has been the gratification of my life," he added, "that I have been able to make money for young men by bringing out of them their latent possibilities," and he stated further that "paying bonuses amounting to \$5,000,000 a year is of little concern," and that one vice-president had been given \$600,000 in addition to his salary in 1915, while another assistant had received more than \$1,000,000 as his share of the profits.

Mr. Schwab, in an address before the Pennsylvania Society of New York, December 16, 1919, said, as reported in the daily press:

"It is the duty of the business man to address himself to seeing to it that the largest possible opportunity for employment and work is given to the greatest number of men, and I am myself a firm believer in the fact that the successful management of labor does now and will in the future more and more rest upon the recognition of two principles. These are: First, the right of the men to deal with their employers collectively; and, second, the privilege of the men, through some kind of profit-sharing, to obtain a direct share in the profits realized upon the ar-

ticles they themselves are making. What the laboring man wants, as I see it, is, above all else, recognition, appreciation and fellowship. He wants to be treated as a man of flesh and blood.

"The kind of collective bargaining in which I believe is one that recognizes the right of the men themselves to choose their own fellow workmen as representatives to speak to the company and which believes in the obligation of the company to treat these representatives individually and collectively with the confidence and respect to which they are, by virtue of the stake in the business of those whom they represent, justly entitled. And I believe in profit-sharing. Not the kind of profit-sharing that consists in a mere bonus paid out of the profits of the year, and added to the man's wages for the year, for that is merely an increase in wages and has no direct relationship to a man's own work. What I believe in is that a man shall have a direct share of the profits derived from the particular unit of work he himself is doing.

"It is possible by a careful calculation to place a value upon and to estimate the probable profit from almost each unit of work which is done in a plant. If a man does more work, and helps to produce more goods or realize greater economies, he brings greater profits to the business and he himself should realize higher pay proportionately—and that higher pay should bear a direct relationship to the particular item of work upon which the man is engaged. In that way the employer has a direct interest in having the workman himself realize continually better earnings. In other words, there is a real partnership between the business and the workers in it.

"I am sure we must all agree that if by some magic move we could secure not alone the good will of our workmen, but also their enthusiasm in their work, the workers of this country would multiply their output many times. I believe that through collective bargaining and profit sharing along the lines I have described, we will come nearer to realizing that good will and enthusiasm than by any other route. These are not mere theories. They have grown up, in my opinion, out of a long and practical experience dealing with men."

### IN "INDUSTRIAL DEMOCRACY."

Mortimer L. Schiff, in placing his views as to industrial democracy before the public, alludes to the place of profit sharing in the larger scheme of his subject:

"In any scheme of industrial democracy the worker should have a voice in determining the conditions of his employment;



there should be insurance, pension and benefit plans; there must be contentment, based on proper working conditions, and there should be participation by the worker in the results of the enterprise, so that his interests and those of his employer may as far as possible become identical. . . .

“There must be no secrets as to the results of the operations of the business, there must be full disclosure, so that the worker knows he is getting his full share and that it is thus to his interest to secure the maximum results.

“There must be no paternalism, no interference with the personal liberty of the employee, no savoring of philanthropy or of charity. . . .

“Profit sharing might well be called savings sharing, as, in the final analysis, it is the economies in operation and the increase in production resulting from a real participation by the workers in the fruits of their industry which will make available the profits to be shared. . . .

“Profit sharing must not be confounded with stock subscription plans and bonus systems. Profit sharing is not a cure-all, nor, desirable as it is, is it applicable to every type of industry, but where it is feasible, a properly worked out plan, fair to all concerned, will do much toward establishing sound relations between capital and labor, and through the participation by the employees in the earnings, give them a real interest to stimulate production and reduce operating costs. . . .

“In my opinion, the salaried officers should participate in any profit sharing plan, and it should not be restricted, as in most proposals appears to be the case, to those working for a daily wage. . . .

“The basis of a profit sharing plan is comparatively simple. It must deal only with the surplus remaining after all operating and fixed charges, including adequate salaries and wages, have been met, after provision has been made for statutory and extraordinary reserves and after a fair return has been paid to the stockholders on their investment. . . .

“The real crux of the situation is what form the distribution should take. It should not be in cash, as this is almost certain to be of no permanent advantage to the employee and does not assist him in securing a permanent interest in the property. It should be in the form of some security which

it is to his interest to hold. I suggest non-negotiable, registered, convertible 6% debentures, convertible into cash at the option of the holder after a certain period, say three years, but even during that period redeemable by the company in case the holder leaves its service."

### THE "ROAD TOWARD INDUSTRIAL PEACE."

Dr. Charles W. Eliot, President Emeritus, Harvard University, in the New York "Times," Sunday, September 21, 1919:

"There is no doubt that the attitude of the great majority of employers toward the labor question has undergone a great change since August, 1914. Many of the conservative, old-fashioned employers are seriously alarmed and much perplexed, and are inquiring as to the means of remedying the present confusions and disastrous tendencies. Thousands of employers are trying to apply in their own works or factories new methods of administration which will make their employees healthier, more comfortable, and more disposed to work with hearty good-will for the success of the particular industries in which they are engaged, because they themselves profit by that success. A very large number of employers and employees alike are beginning to realize that nothing can cure the present crushing ills of the civilized world except abundant production by all the peoples; that high wages have no tendency to cure the existing evils, but on the contrary increase them, because they raise the costs of production without increasing production; that the scales of wages on which the health, happiness and capacity for progress of the human race depend are badly adjusted to each other, so that the results to the community are unjust and often highly inexpedient. . . .

"Now is the time, then, to discuss and experiment with profit sharing. The arguments for and against profit sharing take a wide range; and so do the experiments which are actually under way. Many of the experiments are so ill-devised that they inevitably fail; and, on the other hand, some of those that succeed prove such valuable assets that their devisers conceal the nature and results of their experiments, lest their competitors imitate them. There is obviously no such thing as one best and uniformly applicable scheme of



profit sharing. Every individual factory should have its own scheme adapted to its own nature, history, and surroundings; and so should every separate plant of a corporation or firm which maintains many scattered plants.

"Then, there are many industries to which profit sharing cannot be applied at all, just as there are many to which the eight-hour day cannot be successfully applied, unless it be treated as merely an acceptable plan for raising wages. . . .

"Prudent advocates of profit sharing never represent the method as applicable in all industries, or as the single cure-all for the industrial strife. They maintain that profit sharing must always be associated with co-operative management, that is, with the effective sharing by the working people in the management and discipline of the works or shops, and also with complete accessibility of the accounts of the establishment for the elected representatives of the workers, whether members of the company's board of directors or merely auditors satisfactory to the employees. In other words, profit sharing should be only one element in a scheme having three parts. The object to be attained in any hopeful reorganization of the machinery industries is a generous sharing of control and responsibility, and therefore of profits, when there are any, after wages and interest on borrowed money have been paid. Nothing short of that will give satisfaction to both parties in the present industrial strife, and nothing else ought to. To take together a long step on the road toward lasting peace employers and employees must be really partners, with like motives for diligence, the prevention of wastes, and the adoption of improvements. . . .

"The British Labor Co-partnership Association advocates the systematic acquirement of share capital by the workers as the principal method of profit sharing. Indeed, the British association argues against the payment of any cash dividend to payroll. In the United States several large corporations have offered their employees strong pecuniary inducements to put their savings into the stock of the employing companies. There are obviously serious objections to profit sharing by compulsory or urged purchase of shares in the employing company's stock. In the first place, the method is chiefly applicable to the higher paid employees, like heads of departments, foremen, salesmen, and clerks. Secondly, if the employing company urges its working people to put their savings

into its stock, or tries to induce them to do so, it takes the responsibility for the effects of heavy falls in the market price of its stock, which are sure to be resented by those of its employees who have invested therein. Thirdly, the method violates the commonest rule of judicious investors, namely, the rule against putting all one's eggs into one basket. Is it not obvious that the limited control over the management of a business which can be exercised by the moderate proportion of the working people in any plant that can become shareholders to a small or even a large extent in the employing company will be only a short step toward industrial peace? . . .

"Any kind of profit sharing will succeed which appeals to the fundamental motives that have for many centuries past induced men, rising out of barbarism, to be industrious and frugal, and to keep their promises and contracts. These motives are love of home and its surroundings, and of parents and brothers and sisters in the first home and of wife and children in the second, the desire to have steady employment and to accumulate property for the sake of home and descendants, and the hope of freedom from the dread of disabling sickness or accident, premature death, and a forlorn old age. . . .

"It remains to consider another adjunct of profit sharing in establishing permanent industrial peace. Co-operative management and publicity for the employers' accounts have already been mentioned. That adjunct is the co-operation of capital and labor in the prevention of poverty. There must always be wide differences in respect to material possessions among the numerous individuals that compose society; because the capacity of different individuals in respect to acquiring and keeping possessions is so infinitely various; but distressing or degrading poverty should cease to exist in democratic society. The causes of the extreme poverty which exists in many, and indeed most, civilized communities, are, first, ignorance, stupidity, and laziness, and, secondly, sickness and premature death or disability, partly due to untoward accident, downright misfortune, or irresistible calamity, but chiefly to human vices and the diseases consequent thereon, and to the multifarious wrongdoing of cruel or reckless men toward women."



## SUMMARY OF EMPLOYERS' OPINIONS.

(1916) In a few of the cases examined the employers are very enthusiastic over the success of their profit sharing ventures. The approval of a considerable number is indicated by the retention of their plans from year to year.

The following are some of the favorable comments of the employers in their own words:

1. Promotes more continuous service.
2. Nine per cent reduction in the cost of production.
3. Secures more regular attendance.
4. Builds up confidence.
5. Eliminates the rolling stones and encourages home building.
6. Successful—never had a strike.
7. Enables company to keep employees during the rush season.
8. Creates a better spirit among the workmen.
9. Expenses kept down—salesmen work harder.
10. Tends to promote efficiency and stimulate endeavor.
11. Promotes regularity of employment.
12. Increases effectiveness and profits of the business.
13. Noticeable increase in interest and loyalty on the part of those retaining their stock.
14. Produces greater spirit of co-operation between employer and employee.
15. Great benefit in securing the co-operation of those in responsible positions.

The objections to the profit sharing plans as stated by the employers may be summarized as:

1. Failure of employees to grasp the significance of the profit sharing.
2. Dissatisfaction on the part of the employees when the profits are small.
3. Employees count on bonus payments and make use of them in advance.
4. Preference on the part of employees to have their wages increased instead of receiving a bonus.
5. The sale of stock to outsiders in those cases where the stock is distributed.

## WAGE-EARNERS' STOCK INVESTMENTS.

(From an article on the Democratization of Industry.)

RALPH M. EASLEY.

(1916) "There are two few enterprises where stock in a corporation is continually a safe investment of the savings of wage-earners. How many of the million employees on the railroads, for instance, would have been safe during the last few years in putting their savings into the stock of the roads upon which they were working? We instantly think of the New York, New Haven and Hartford, the Rock Island and the 'Frisco, as conspicuous examples, but there is a long list of other railroads which have not been charged with corruption or mismanagement whose stocks nevertheless have gone down. Stock participation would not be practicable at all in the building trades, and great construction works, public and private, where hundreds of thousands of employees are engaged, because contractors do not necessarily employ the same men on two consecutive jobs. In the printing trades, how many members of the Typographical Union would feel safe in investing in the stocks of the newspapers or job printing offices where they work? On certain public utilities, what seem to be fairly successful plans have been inaugurated, but they are generally those which the Public Service Commissions have been able to regulate and hold down to legitimate financing.

"There are here and there comparatively small corporations which have been measurably successful financially for a series of years, and there are a few very large corporations like the United States Steel Corporation, the International Harvester Company, the American Sugar Refining Company, the Standard Oil Company and the American Tobacco Company, whose preferred stock has been a safe investment.

"Another very serious objection which is made to stock participation is that the men, for the first time in their lives, begin to watch the stock market, and this is regarded by many as not a very wholesome habit. Following the stock market leads to 'taking a flyer' and that generally leads to taking a loss. A workingman whom I know put a little money which he had saved into railroad stock that is regarded as the best



in this country and he has held on to it and received his dividends regularly. In keeping himself posted on stock market matters, however, the gambling spirit got hold of him and he thought he ought to do something better than get his regular 6% dividend, so he persuaded his wife to put the \$600 she had saved into another stock on margin and it was soon wiped out."

## ATTITUDE OF THE TRADE UNIONS.

So far as organized labor is concerned, it is generally opposed to all profit sharing schemes.

Theoretically, one would suppose that there could be no possible objection to the periodical cash distribution of a percentage of profits, and yet general criticisms on the part of the employees are:

That market wages are not paid where such cash distributions are made;

That they prefer to have a fixed wage scale upon which they can count; and

That when such percentages of profits are received they are regarded as gifts, which place the workers under obligation to the employer and in a position in which they cannot ask for increases in wages or salaries to which they may be justly entitled.

In relation to stock selling plans, some of the criticisms are:

That foremen will keep down the wages of the rank and file in order that the dividends on stock owned by the foremen may be higher;

That the aim of the company in selling stock is sometimes circumvented, as in the case of the Northern Pacific Company, which experienced disappointment because the stock was sold to the employees at a low price and when it rose the employees promptly sold it instead of remaining participators; and

That, although stock may be sold on the instalment plan, comparatively few in the rank and file can afford to take advantage of such opportunities;

Then there is the question of possible loss by a company in any given year and employees who are owners of stock are likely to become interested in watching the market and to cultivate the gambling instinct.

### TYPICAL COMMENTS.

SAMUEL GOMPERS, president, American Federation of Labor, (1916):

"This proposition has never been seriously considered by the organizations of labor. I desire to say further that



it has come under my observation that some employers who have inaugurated systems of so-called profit sharing have pared down the wages of their employees so that the combined sharing of profits and their wages did not equal the wages of employees of other companies in the same line of industry. What we are especially interested in more than profit sharing is a fair living wage, reasonable hours and fair conditions of employment."

Mr. Gompers states, February, 1920, that he does not desire to make any changes in the foregoing statement.

WARREN S. STONE, grand chief, International Brotherhood of Locomotive Engineers:

"I am opposed to profit sharing, of any kind, under any name. I believe in paying the worker fair wages and allowing him to look after his own interests. All forms of profit sharing, be they a cash distribution or a bonus, or the selling of stock at low rates, are subject to the same abuses.

"They have a tendency to speed up the worker, and, in addition to that, they make him resigned to work under conditions which otherwise he would not tolerate for a single day, were it not for the hope of the bonus in the near future which is always being kept before him.

"The various stock subscription plans are in no sense profit sharing. A moment's examination of the subject will show that I am right. If an employee purchases stock, whatever he receives by way of dividends he receives in his capacity as stockholder and not as employee. If a dividend is declared he is entitled to it as a matter of absolute right—whether he continues as an employee or not. Now whatever he may receive by way of bonus on his stock, such as an extra five dollars per share per year provided he has been a certain number of years in the employ of the company, is paid to him because he has given the company something in addition to his labor from day to day, namely, a *continuity of service*, the value of which to the company far exceeds the bonus on the stock. Moreover, when an employee is induced to invest his savings in stock of the company for which he works, there is brought about a situation the practical result of which is an insurance against strikes. Therefore, the wage addition which the stockholding employee receives is not a share of the profits but a payment for a substantial consideration which the company receives in addition to the employee's labor.

"So much for the theory of that type of profit sharing. Now a word as to the amount of the employee's share of

the so-called profits. Take the United States Steel Corporation as a fair example. An employee earning \$900 per year subscribes for one share of preferred stock and pays for it in instalments running over one year. If he holds on to both his job and his stock he gets an annual bonus of five dollars a year for not exceeding five years. If that man should remain with the company for ten years, he would receive as a payment for that continuous service the sum of \$25 or approximately only one-quarter of 1% of his wages.

"But quite apart from the fact that stock selling is not profit sharing, either in principle or in practice, there is still another and fundamental objection to it—one that goes to the basis of corporate management in the country—and that is that, taken as a whole, public utility and industrial stocks are not proper investments for the savings of the ordinary employee. Furthermore, they never will be proper investments for him until he can ascertain with some degree of precision and from some authoritative source, that for every dollar of par value of stock issued the company has back of it one dollar in cash or its equivalent in actual property. That situation will never exist under the present corporation laws of the various states, under which it is possible to issue reams of so-called securities against good will—dubious patent rights and other considerations, the value of which is fixed by a board of dummy directors, carrying out the instructions of promoters who will in turn unload the stock on a gullible public or unsuspecting employees.

"The trouble with selling stock at low rates is that until there is some form of regulation of stock issuing it does not mean anything. A very large percentage of the stock held to-day, and that in the open market, represents no real value, but is simply an added drain upon the productive efficiency of the employees and is issued wholly and solely to take up any surplus that might be left over after paying money a fair dividend on the real value of the investment. Until the stock can be guaranteed at its face value, it does not mean anything to the worker; and, again, it has a tendency to make the worker satisfied with the company or corporation and work harder than ever before, perhaps for starvation wages, in the hope that he can get his stock finally paid for, and then too often he learns, to his bitter disappointment, that it represents no real value after all.

"The savings of the workingman are, morally at least, the property of his wife and children; they should be invested with the same care and prudence which the law requires for the investment of the funds of widows and or-



phans, and any scheme which seeks to divert them into speculative channels and tie them up to a particular job is vicious in principle and cannot be too emphatically condemned.

"So far as giving the employees a compelling voice in the management of a company through their stockholding acquired under the subscription plan is concerned, the mere suggestion of such a thing is nothing more nor less than a grim joke. While it is theoretically possible for the employees to gain the stock control of a corporation, we know, as a matter of every-day observation, that such a thing is in practice utterly impossible. Even if it were possible for the employees to acquire 51% of the stock of a solvent corporation, they would be unable to dislodge the management, as experience has frequently shown how easy it is for insiders to water the capital stock and issue indirectly to themselves a vast amount of additional securities, by which control is not only retained but future earnings of the corporation are capitalized."

Mr. Stone writes, February 25, 1920:

"I have not changed my opinion in the least on this question, for it is today the same as it was in 1916, and I do not care to add anything to my statement made at that time."

JAMES DUNCAN, president, Granite Cutters' International Association of America, January 29, 1920:

"There is little if anything done in the granite cutting industry on the subject of profit sharing. It is not looked upon as a cure for any of our trade ills. The members of our association would prefer a good fair wage rate. Evidently where the profit sharing system has been discussed employers have only favorably looked upon it by expecting that the men in their employment who would be parties to the plan would in return use their influence in trade meetings in favor of the firm rather than in favor of the workmen. I know of no change of feeling among workmen upon the subject since the issue of your profit sharing document in 1916."

JOHN P. FREY, editor "International Molders' Journal," states that his experience prompts him to say that in almost every instance profit sharing schemes operate to pay the workers a lower wage in proportion to their output, to make trade union organization most difficult if not impossible, and

to make it difficult to bring about a condition where the workers can take up the question of their terms of employment as an organized body.

Mr. Frey further writes, February 3, 1920:

"The trade-union movement and individual members have not, so far as I can discover, undergone any change or modification of the attitude always assumed toward profit sharing. Our experience has been that it is more difficult to bring about organization where a system of profit sharing has been established, the wage-earners being fearful that they would lose their share if through joining the Molders' Union they lost their position."

JOHN GOLDEN, president, United Textile Workers, February 6, 1920:

"I have not changed my views one iota on this subject. My experience with profit sharing in the textile industry has been that it was a scheme to dodge the payment of the correct scale of wages paid in the various branches of our industry or else to act as a buffer against organization of the employees. In addition to this in most all cases the company has the sole arrangement of working out the profit sharing plan, even to the fixing of the amount of so-called 'profit' to be shared among the employees. Our usual experience also is where the profit sharing plan exists the plants do not pay the union scale of wages."

JOHN A. VOLL, president, Glass Bottle Blowers' Association of the United States and Canada, February 4, 1920:

"In my opinion the general opposition on the part of trades unionists to the principle of profit sharing has not undergone any modification the last few years; in fact, if anything, the opposition is stronger owing to the fact that profit sharing is used for the purpose of suppressing organization among workmen. As I see it, there would be no objection to profit sharing provided the workmen were granted the right to organize and bargain collectively; if profit sharing was practised in addition to that, I believe the opposition would gradually fade away.

"There is no relation between the union scale and the scale in profit sharing concerns, because there is no permanency in the profit sharing scale; keen competition or business reverses may wipe out the profit and without an organization the employees are in great danger then of having their wages reduced. I would say that there are



special difficulties in organizing the mechanical force of profit sharing plants."

M. F. TIGHE, president, Amalgamated Association of Iron, Steel and Tin Workers, January 31, 1920:

"So far as my knowledge of any plan of profit sharing now existing goes, there has been no change in sentiment in the opposition to it from the organizations of labor.

"Our position is and has been that the profits that should be the legitimate property of the toiler, whose work made such possible, should be included in his daily wage. The relation between the scale of our organization and the system called profit sharing is as close as any system in existence. Our union scale is a sliding scale with a minimum rate. It gives to the worker a share of the profits of the material he turns out, as it is based on the selling price of the material. The question of organization among those who now are employed where such practice exists is problematical and cannot be satisfactorily answered. In some places it has effect and in others none whatever."

WILLIAM H. JOHNSTON, president, International Association of Machinists, February 25, 1920:

"The profit sharing plans which have come to my observation are intended to deceive the wage-earners. A number of firms have introduced so-called profit sharing as a substitute for a minimum wage, and as a result of the hypocrisy and sham connected with profit sharing the workers generally are very skeptical of those who are seeking to promote so-called profit sharing. I do not believe that the trade unionists of our country have had any cause to change or modify their opposition to this method of compensation."

HUGH FRAYNE, general organizer, American Federation of Labor, (1916):

"There are many schemes and methods adopted by employers, especially among the larger corporations, to prevent their employees from organizing trade unions and in order to overcome any signs of unrest among them they generally inaugurate some system of bonus paying to the workers which is nothing more than a socialized form of charity.

"Some employers adopt the plan of giving presents to their employees during the holiday season and make

a great deal of capital out of same, even going so far as to boast of how kind and generous they are to their employees, which they want it understood they are not obliged to do, only through the goodness of their hearts, but invariably you will find that there is an underlying motive in this commercialized philanthropy and we find that those who are the most favored by the employers because of their willingness to take the initiative in all schemes for the promotion of a greater production bringing larger profits to the employers without any extra compensation to the workers, are the ones who get the most expensive presents when they are being given out.

"The selling of stock to employees is another plan used by employers chiefly for the purpose of weaning them away from any thought of becoming members of a trade union. From one to five shares of stock in the concern are usually sold to the employee at par, sometimes below that amount, and in other cases the stock is given free of charge while the rights of the employee holding this stock are never recognized in any way so far as the firm or its affairs are concerned. The worker is constantly reminded, however, that to join a union or to go on strike or in any way antagonize the company would seriously jeopardize his own interest as a stockholder of the concern."

Mr. Frayne writes, February 25, 1920:

"There are many schemes and methods adopted by employers, especially the larger corporations, to prevent their employees from organizing trade unions, and in order to overcome any signs of unrest among them they generally inaugurate some system of bonus paying to the workers which is nothing more nor less than a socialized form of charity.

"One of the most popular forms is that of the profit sharing system which entitles the worker to certain bonuses at the end of fixed periods, usually at the end of the year, based upon the earnings of the company and the amount of increased efficiency of the particular employee. When putting this system into practice the most efficient workers, whether skilled or unskilled, are selected to perform certain tasks which are rated to the very highest limit. The best workers are then speeded up until they reach that limit after which all others are expected to do likewise. Only a small percentage are able to reach this high efficiency set by the experts, and while they have through the speeding up process produced a larger amount of work during the year with the hope of receiving the bonus at the end of the specified time, they receive practically nothing for the



extra work done because they have not qualified and reached the high standard set by the company whose profit from the extra work performed is a great financial advantage to the company and a great disadvantage financially and physically to the worker who has been speeded up to a point beyond human endurance. Even those who are fortunate enough to reach the high standard set by the experts and receive the bonus are not able to keep up this pace for any length of time, and within a few years at most they are rated with those who are not entitled to receive the bonus because they have become unfit on account of the physical strain caused by the high pressure at which they have been compelled to work.

"Some of the employers adopt the plan of giving presents to their employees during the holiday season and make a great deal of capital out of same, even going so far as to boast of how kind and generous they are to their employees, which they want it understood they are not obliged to do, only through the goodness of their hearts, but invariably you will find that there is an underlying motive in this commercialized philanthropy, and we find that those who are the most favored by the employers because of their willingness to take the initiative in all schemes for the promotion of a greater production, bringing larger profits to the employers without any extra compensation to the workers, are the ones who get the most expensive presents when they are being given out.

"The selling of stock to employees is another plan used by employers chiefly for the purpose of weaning them away from any thought of becoming members of a trade union. From one to five shares of stock in the concern are usually sold to the employee at par, sometimes below that amount, and in other cases the stock is given free of charge, while the rights of the employee holding this stock are never recognized in any way so far as the firm or its affairs are concerned. The worker is constantly reminded, however, that to join a union or to go on strike, or in any way antagonize the company, would seriously jeopardize his own interest as a stockholder of the concern.

"There are other schemes under various names and titles that are used for the purpose of exploiting and taking advantage of working people, especially among the unorganized, all of which are promoted with the object in view of getting the highest maximum at the lowest minimum cost.

"When making a comparison of these various schemes to uplift the workers with what the trade unions have done in the past, are doing at present and will continue to do in increased proportion in the future, it is very easy to determine that these false theories for the social uplift are

not practical because they are economically unsound and are promoted for the sole purpose of profit to the employers and to the great disadvantage of the worker. There is not a group of organized men or women, skilled or unskilled, who do not receive a higher wage, shorter hours of employment and generally improved conditions than those who are engaged in employment where the bonus or profit sharing systems and other welfare schemes are in operation.

"The American Federation of Labor is opposed to all bonus systems, no matter in what form they may be practiced, realizing that the individuality of the worker is being gradually destroyed, thereby preventing any initiative on his part to become free and independent, instead of dependent upon the mere whim of the employer, who may at any time discontinue the payment of the bonus without the worker having any say in the matter.

"Organized labor believes in the highest standards of living for the workers and has proven by trade union activity that this condition can be best accomplished through organized effort. Members of trade unions, whether skilled or unskilled, receive the highest wages, work the shortest number of hours, enjoy better treatment and general conditions of employment and are protected by their union affiliations from unjust treatment from employers. Aside from this the unions protect their members out of their funds in strikes, lockouts, out of work and sick and death benefits which no worker can ever hope to receive from an employer through any bonus system no matter how generous its provisions may seem to be.

"Bonuses or profit sharing to the worker at the end of the year is money that they earned during the year and should have received in their weekly or monthly pay envelopes. If this were done it would permit the workers to provide many immediate necessities instead of having to wait a whole year to receive a gift of something that was theirs by right, but which was withheld for the various reasons which I have mentioned.

"The best and most efficient workers are those who are free to join with their co-workers in the trade union movement, which not only brings to them all and more than any scheme of doubtful motive, but at the same time never attempts to take from them their rights and liberties as free men."

JERE L. SULLIVAN, general secretary-treasurer, Hotel and Restaurant Employees' International Alliance, January 30, 1920:

"The workers of the catering industry have had but



few chances to examine the results of profit sharing. So far as we have knowledge there is but one hotel corporation which employs that method of bestowing upon employees added compensation, and the plan has been in use less than two years.

"Speaking from personal contact with the men of various unions, I can say that most of them carry the impression that profit sharing as conducted is in reality an effort to wean the workers away from the idea of uniting in labor unions. If profit sharing had proved a good substitute for organizations of labor, it seems to me that it would have made greater headway than appears to be the case. If profit sharing were conducted with fairness it might prove the claims of its promoters and advocates, but most of the workers feel that without an organization to fall back on to protect their interests any method, no matter what its name, might be abused and result in the opposite from what is claimed for it.

"Wage-earners seem to prefer to get theirs now and in the pay envelope instead of taking chances of added coin by way of profit sharing systems."

JACOB FISCHER, secretary-treasurer, Journeymen Barbers' International Union, January 29, 1920:

"Our organization is in no way affected directly by profit sharing in our industry, as we have no shops whatever operated on that system. The members of our organization work on a guaranteed salary with a commission on all receipts over certain amounts, but actual profit sharing does not affect them."

H. J. CONWAY, secretary-treasurer, Retail Clerks' International Protective Association:

"In regard to what is called to-day stockholding or stock ownership, from the viewpoint and experience we have had with it through our association, instead of being in favor of it, we condemn it as being non-beneficial to employees in the retail industry, in so far as the past plans at least have proven. We have found that, in the greater number of instances which came directly before us, the plan was brought into effect primarily for the purpose either of preventing or breaking strikes, should any arise in an attempt to secure a changed working condition for the betterment of the employees.

"Plausible stories are brought forth in the guise of an increased wage through the profits derived from being a stockholder, but so far as we have any information no

profits have been received. On the contrary, those who have invested or were presumed to be given the stock payable from the profits derived from the business have never been able to realize any benefit therefrom; and those who paid part of it have great difficulty, when the occasion arises, to sever their relations with the employer or the stock concern, and to dispose of their stock, either at a profit or at the price which they had paid.

"It has also been a means to retard the advancement of employees through the securing of more profitable employment, for once inveigled into it the many bright spots in the future constantly kept before their minds create a hope that at some day results will come. They hesitate to change their positions when opportunity arises through which they could gain increased wages and possibly more congenial employment."

J. C. SKEMP, grand secretary-treasurer, Brotherhood of Painters, Decorators and Paperhangers of America:

"Profit sharing as practiced, at its best, is an inadequate and unsatisfactory remedy for our industrial ills. Where the experiment is made in good faith the facts that the employer reserves the right to discharge a workman at any time, that he fixes the worker's share of the profits and that the worker has no voice in the management of the business, rob the plan of any value it otherwise might have.

"The dividend to the workman is merely a gift to be made or withheld at the will or the whim of the employer—disguised charity. As usually employed it is a method for bribing the workman to remain outside of the union of his craft, to discourage demands for better wages, to stimulate output and increase profits for the employer, the workman to receive a small share of his increased earnings."

Mr. Skemp writes, January 30, 1920:

"Trade unionists are opposed to existing profit sharing plans. They prefer that their share of the returns from the industry shall be in the form of a fixed wage, which preserves their independence. The acceptance of a share in the profits of a business in the management of which he has no voice necessarily places the worker under a humiliating obligation. It is a favor granted. The only practical and acceptable profit sharing plan yet advanced is that proposed in the report made to the Industrial Council for the building industry of Great Britain, by its committee appointed 'to consider the question of scientific man-



agement and reduction of cost, with a view to enabling the building industry to render the most efficient service possible.' A copy of this report might be obtained from the Secretary of the Council, 48 Bedford Square, London, W. C."

WALTER W. DRAYER, general secretary-treasurer, Journeymen Stone Cutters' Association:

"A cash distribution or a bonus is usually given with the understanding that employees are not to affiliate themselves with a labor organization. Such being the case, employees must take employment at the wages offered by the employers rather than collectively establishing a wage for their labor.

"In most cases it is a form of involuntary servitude inasmuch as such cash distribution is denied those employees who might wish to terminate their employment to better their conditions. They are denied this cash distribution if they leave their employment before a stated period."

JAMES WILSON, general president, Pattern Makers' League:

"The systems prevent men from organizing, and thereby an employee works for less wages—all bonuses included—than he would receive if he were organized."

C. F. QUINN, secretary-treasurer, Pennsylvania State Federation of Labor:

"It is, as the children have it in their play 'Open your mouth and shut your eyes and see what God' (the employer) 'will give you.'"

GEORGE L. BERRY, president, International Printing Pressmen and Assistants' Union of North America:

"I would oppose any such scheme as that, even if it did not militate against the trade organization, unless the workers, through a well-established proprietary right, were placed in a position of determining the matter of procedure, policy, etc."

JAMES P. HOLLAND, president, New York State Federation of Labor:

"A cash distribution makes some men work hard to the detriment of other men. The bonus system makes men

dissatisfied, and they are unable to air their grievances for the reason that they would lose their bonuses.

"The selling of stock to the men at a low price is the means of stopping them from organizing."

ANDREW J. FURUSETH, president, International Seamen's Union of America:

"Profit sharing is a truce that the employers seldom enter into except with the purpose of holding the wages down. You cannot get any arrangement with the employers unless you are strong enough to compel them to pay."

H. B. PERHAM, past president, Order of Railroad Telegraphers:

"Wage-earners are entitled to what they have earned as soon as their day's work is done, and they are not entitled to any more. A cash distribution annually means that the money has been withheld from them."

THOMAS J. DONNELLY, secretary-treasurer, Ohio State Federation of Labor:

"If there is a profit to give, it should be given daily and weekly in reducing hours and increasing wages."

PAUL SCHARRENBURG, secretary-treasurer, California State Federation of Labor:

"I am utterly opposed to any scheme or plan of profit sharing of the variety so far proposed in this country."

B. A. LARGER, general secretary, United Garment Workers of America:

"In most cases where the cash distribution or bonus is given, wages are low and hours long."

WILLIAM GREEN, secretary-treasurer, United Mine Workers of America:

"If the profits of a concern will permit of distribution among the men employed, instead of being distributed as profits of the concern, the money should be paid to them in wages that would be regarded as just and fair. This,



in my experience in dealing with laboring men, gives more general satisfaction than any profit sharing plan of which I have ever heard."

JOHN FITZPATRICK, president, Chicago Federation of Labor:

"For my part, I think these schemes are all totally bad and are no more nor less than a fraud, a deception and a snare. . . . The slogan of the American labor movement, 'A fair day's pay for a fair day's work,' is the manly, human, honest, fair way of meeting the question of work and wages. A fair day's pay would involve decent standards of living, a comfortable home, sufficient for proper recreation and enjoyment and the things that make this life worth living. It would mean proper safeguards to conserve the ability of the breadwinner and enable him to continue for the longest period of time to provide for and protect himself, his home and his loved ones."

The position of the conservative division of English labor is thus expressed by J. R. Clynes, General Workers' Union, recently Food Controller:

"Co-partnership and profit sharing are viewed with suspicion by the trade unions. There was good cause for this view. For many employers who, in previous years, instituted schemes for profit sharing or co-partnership only called the workers in as 'partners' when everything had been settled for them and when the principles and even the details of the schemes had been determined by boards of directors. Worse than this happened in some cases. Employers devised their schemes with the object of destroying trade union organization and thereby taking from the employees in a particular works the possibility of being aided by their fellow workers in outside establishments. Profit sharing, like compulsory arbitration, is not likely to receive the official approval of trade unions."

## SOME FRENCH TYPES.

A society for the promotion of profit sharing, recognized by the French government as of "public utility," has been in existence in France for more than forty years.

By the French system the profits allotted the wage-workers usually go either to purchasing stock or to a pension fund, while other benefits or welfare work take subordinate place. In 1914, 120 firms or companies in France were sharing profits in some form with their employees. Of these, 23 were manufacturers of machinery or woodwork; 23 were banks, insurance and theatres; 23 were food or clothing dealers; 14 were in paper making and printing; 14 in the building trades, painting, etc.; 14 in agriculture and fisheries, and 9 in railways, mines and street car systems. Besides, nearly 500 co-operative societies were reported as paying to their employees bonuses varying from 10 to 60%.

A classification of the methods employed by French firms in various forms of profit sharing, contributed by Edward Deason to the English periodical, "Co-partnership," in October, 1918, gave the following:

1. A percentage on the net profits shared over the wages of workers, the management, and various benefit funds. This is the system of Leclaire, Laroche-Joubert, Chaix, and others.

2. Sharing the net profits on the wages and interest of the capital. It was first introduced in France by Godin in 1876, who accompanied it by an ample system of benefit funds and housing.

3. Sharing the net profits on wages and capital. There are only a few examples of this method in France.

4. A percentage on the sales, total business done, or on the total output of manufacture. Many of the printing firms have followed this method.

5. Sharing out the difference between estimate and actual cost. The city of Paris works its paving stone quarries on this plan. Joya & Co., boiler makers, of Grenoble, use the method.

6. Entire share capital held by employees only. The system of the "Bon Marché" of Paris and Godin of Guise.



Those not holding shares receive a special bonus decided annually. There are many "benefit funds" entirely supported by the firm.

7. Annual bonus on amount of savings effected by employees. The big Paris store *Galeries Lafayette* adds a similar amount to that saved by the employees.

8. Annual bonus (variable) entirely at discretion of proprietors. Part of the plan of the *Bon Marché*, of *Muller, Roger & Co.*, engineers of Paris, and of the printing firm *Gounouilhou* at *Bordeaux*.

9. The system of *Michelin & Co.*, of *Clermont-Ferrand*. Certificates bearing annual interest are given to employees of merit. Also a very comprehensive list of benefits for illness, accident, old age, housing, &c.

10. The Ford system, at their works in *Bordeaux* and *Paris*. From 25 to 33% is added to the wages. An effort is made to educate the worker so that he does his best while in the factory. Mr. Ford believes the worker should be trusted with the money instead of its being used or invested for him.

Following are typical of profit sharing methods in France:

*Edme-Jean Leclaire*, Paris house painter, is known as the father of profit sharing in France. In 1838 he established a mutual aid society for his employees, and four years later had 300 men on daily wages. His usual dividend to labor was 12%, one year reaching 24%. While he began his profit sharing with only his regular workers, from 1870 he shared with all. The house of *Leclaire*, now known as *Brugnot, Laurent & Co.*, usually apportion of the net profits 15% to the managers, 35% to the mutual aid society and the other 50% to the employees in ratio of their compensation.

The assets of the mutual aid society on April 1, 1919, were 4,764,350 francs. This society, however, has but 97 active and three honorary members in a force numbering, in 1914, 1,400. The society benefits are 8 francs a day (increased from 3.50 before the war), medicines, and the services of a doctor. The pension after 50 years of age is 2,000 francs. In 1919 there were 140 pensioners, 62 retired auxiliaries and 31 benefiting widows. The sum disbursed in pensions reaches more than 220,000 francs. The operation of the establishment is otherwise characterized by various financial and educational benefactions.

The "Familistère de Guise" is known throughout the world as an economic development of labor co-partnership and community living. Its founder, J. B. André Godin, set up in 1840 at Guise, a small town in the northeast of France, a manufactory of heating apparatus. In 1876 he introduced profit sharing and in 1880 established a joint stock company with various forms of co-operation. New co-operative or even "communistic" features were added from time to time. These included the care of young children in groups by competent nurses; several grades of schools with vocational training; a community theatre; co-operative supply stores on the Rochdale system; methods for the higher education; homes for a large proportion of the workmen and their families in a "palace" designed with due regard to comfort, cleanliness, beauty and general utility. Before the war the number of employees was about 2,300. In 1910 more than 1,400 had served more than 10 years and 675 more than 20 years. The great works of the company were built at one side of the Oise, not far from its source, and the buildings pertaining to home life on the other side, the whole surrounded by farm lands.

When M. Godin died, in 1888, he bequeathed to the company \$600,000 and the capital later became \$1,200,000, the annual business reaching \$1,600,000 and the total assets more than \$2,300,000. The net profits of the Godin establishment were divided, 75% to wages and to capital interest and 25% to the management staff. Capital took 5%. There were preferential rates of dividends to employees for long service. Persons of one year in service received one share; of three years, one and one-half shares, and of over 20 years, two shares.

The works and the Familistère were destroyed during the war by the Germans. In 1914, August 27 and 28, while the greater part of the population of the district, fleeing from imminent invasion and overflowing the roads into the surrounding fields, rushed toward Laon, Chauny and La Fère, Guise became the center of a furious battle. Some of the houses of the town were burned or battered down by shelling. The Germans then methodically pillaged others and destroyed the left wing of the main building of the Familistère with the home possessions of more than 100 families by whom it had been occupied. Then followed the removal to Germany



of all the stores of raw material and articles belonging to the community. In 1915, requisition was made of turning lathes and parts of machines. In 1916, the molding installment of the foundry and all other mechanical equipment except the sawmill were destroyed. In 1917, all the standard forms, made of fine metal, were removed to Germany. In 1918, the statue of Godin was pounded to pieces, and between October 12 and November 11 the inhabitants who were left at Guise were compelled to leave, the houses were plundered, and the town of Guise and the Familistère were left a chaos of rubbish.

In January, 1920, at the Godin establishment 600 workers were repairing damages, putting in machinery and manufacturing the first products. The first melting of iron since 1916 came out of the furnace on August 16, 1919. The losses of every kind, houses, machinery, models, raw material, finished products, were valued at 12,600,000 francs. The State, by an advance of about 5,000,000 francs, has made it possible to start up the works again. There was still a lack of coal, pig iron, coke, transportation, etc. In spite of all this the re-establishment of the Familistère seems a certainty. Europe had no industrial community more beautiful or better illustrative of the possibilities of a just co-operation of "capital and labor."

The Blanzky Coal Company is considered by working class representatives in France to be a good example of profit sharing. Before establishing its plan the company had set up interesting welfare institutions, meeting the costs of heating, of medicines and giving other financial advantages, which in 1917 reached a sum of 1,500,000 francs for the total of the employees. Since 1915 the board of directors have given 100,000 francs in government bonds for the benefit of a special service to assist large families in the task of educating their children. It has also helped to put in operation co-operative societies. The profit sharing fund is the surplus after a dividend of 50 francs on shares of 500 francs has been paid. In 1918, the profits paid the employees amounted to 3,900,000 francs. The mines of the Blanzky Company during the war were requisitioned and controlled by the government.

The firm of Chaix, printers to railroad companies, started profit sharing in 1872, the employees then numbering 500, but of recent years averaging about 1,200. In the earlier years, of the annual bonus of 15% of wages, one-third was paid in cash, one-third retained for the pension fund and one-third held on account to be drawn by an employee when his connection with the firm should cease. But since 1895 the entire bonus has gone to the establishment's old age pension fund. Employees during their apprenticeship may contribute to this old age fund, a fact illustrative of the continuity of employment expected in large factories in France. The pension may begin at age 55. Chaix has long had a shop council consisting of the heads of all the departments, with Mr. Chaix as president; it discusses matters of interest in the work of the firm and the welfare of the employees.

Michelin & Co., rubber tire makers at Clermont-Ferrand, employing 1,200 persons, have built 500 houses for their employees and established a large co-operative society and several benefit funds. M. Michelin retains authority over all decisions and the right to discontinue the profit sharing at any time. The employee receives one-fourth of his profit in cash, the balance remaining with the firm at 5% interest.

Muller Roger & Co., brass founders, employing 400 people in Paris and 300 at Noyon, apportion three parts of a profit sharing unit to men of over 12 years' service, two parts for six years and one part for three years, but the money remains with the firm until the workman has completed 30 years of service or attained age 60. The pension may rise to \$2.50 per week.

Piat's manufacturing works at Soissons have as funds: Medical aid, sick allowances, maternity allowance, building society, co-operative store, old age pensions, classes for apprentices, dining-rooms at works, baths, gymnasium, etc., and benefits for wives and daughters of employees. A bonus of 5% annually is given on wages, half in cash and half going to an old age fund. This pension also may reach \$2.50 per week.



Dollfus-Mieg & Co., thread manufacturers at Le Cateau, Mulhouse and elsewhere, 5,000 hands, set aside a large sum for profit sharing annually.

The Five-Lille Manufacturing Company, 4,000 employees, shares 8% of the net profits in proportion to wages, the company keeping the bonus at 4% for 15 years before paying it in cash.

The large department stores of Paris usually pay a bonus which goes into pension or other benefit funds. M. Chauchard, founder of the Louvre, left 3,000,000 francs for the benefit funds of his establishment. The Galeries Lafayette puts aside 5% of an employee's salary every month, the employee leaving before five years drawing out merely his own payments with interest, though after five years the whole amount standing to his account goes to him. La Samaritaine divides half its net profits among the employees of over seven years' service. An annual bonus is given those having less than seven years.

The Bon Marché, the largest department store in the country, in its profit sharing and benevolent methods is far advanced beyond any other company of any kind in France. Its printed "Souvenir," as presented to its foreign customers year by year, has the following: "M. Boucicaut (Aristide, the founder) adopted the policy of seconding his own efforts by a superior staff of employees chosen with great care, governed paternally and supervised by a just directorate, which, basing advancement upon services rendered, allowed to each assistant the opportunity to obtain promotion to the most important position." "The constitution of the house as established in 1880 by Mme. Boucicaut has allowed a large number of those employed to become shareholders in the undertaking." "A provident fund founded by M. Boucicaut and a retiring fund founded by Mme. Boucicaut furnished for all employees a provision against the ills of old age."

At the close of its forty-third year, August 1, 1918, the number of employees participating in the provident fund was 4,138, and the amount in the treasury 6,055,876 francs. More than 7,000,000 francs have been paid participants.

There are about 1,000 old employees on pension. Among the Boucicaut funds is one for a mutual aid sickness society, one for assistance to widows and orphans and a maternity fund for employees' wives and infants. The capital of the Bon Marché, not including reserve, originally divided into 400 shares, and now 128,000, brings each share to be worth about 2,000 francs. In the fiscal year 1918-1919 the business amounted to 265,000,000 francs, the net profits to more than 14,000,000 francs, and for dividend on each share 100 francs.

The educational and welfare features of the establishment are notable. At evening classes are taught, free, among other studies, fencing, instrumental music, and English, prize winners of the language class being sent to London for a stay of several months. Young women employees are lodged in a building belonging to the company. All employees are given free the midday meal—meat, vegetables, dessert and a bottle of wine or beer. Certain employees are also given the evening dinner.

Yet, notwithstanding the efforts of the Bon Marché to insure a happy family in its establishment, nearly all its employees were on strike several weeks, October-November, 1919. It had been caught in the flood of the nation-wide labor uprising after the war, as had previously been the body of bank clerks of Paris, the café waiters, the teachers, and even the host of municipal clerks. Riotous scenes were enacted in the city square facing the big store, windows were broken and persons injured. Excited mass meetings took place daily. All over, peace attained through the government labor department conciliators, the managers took the upper hand, enforced their rules and discharged more than a hundred of the more active strikers.

The Ford Company, with at present 100 employees in Paris and 300 in its new factory at Bordeaux, in 1914 introduced in France its mis-called "profit sharing" methods. March 30, 1918, 23.7 of its French force were on its wage-bonus list, after six months of service, the percentage increasing to 37.5 March 30, 1919, with a smaller number of employees, due to slack work. The labor turnover of the company was reported as 100%. The rank and file employees



are paid by the hour and may leave or be discharged at any moment, but heads of departments, who are on monthly salary, are required to give or take 14 days' notice before leaving. The bonus beyond regular wages, thirty-hundredths of a franc an hour, does not vary according to the profits of the company.

Edward Deason, in contributing some observations on the outcome of the Ford supplementary wage payments and paternal supervision of employees in France, remarks that his views have been arrived at after an experience of three years there with the system. He says that the cast-iron rules found to be workable with the many nationalities that go to make up the cosmopolitan crowd of work people in the Detroit Ford factory are totally unsuited to the customary working conditions and the racial mentality of the French workmen. "In a word, the Ford system is not appreciated here. It is in fact disliked. Instead of the 40 hours per week, for example, which they have to work at the Ford factory, men are continually leaving for other places at the same rate of pay but with 50 or 60 hours per week of work. The French workman is so used to a long day that he prefers it. Leaving the Ford place at 3:45 in the afternoon, he doesn't know what to do with himself. None of his comrades are at the café. No place can let him have a dinner for the next two or three hours. And he misses his solid midday meal. The Ford Company tells him to bring a snack in his pocket and cease work for half an hour at midday to eat it. This, of course, is a flagrant breach of the French factories acts and is completely subversive of all French customs. The French people will perhaps change some of their habits, but they will not do so at the bidding of the Ford Company.

"The company expects a man to do something in the way of insurance, which is quite common and easy in England or America, but it is practically impossible in France. What is known as industrial insurance is quite unknown here. The factory sick club is also rare. A sick man or woman is taken off to the hospital for even very slight complaints. More often than not when any kind of trouble falls upon the family there is hardly a week's pay available. The tendency is for the men to spend up all they have. The laboring class is not sufficiently educated to understand how to provide for the

rainy day. Whenever firms take in hand the welfare of their employees, that sort of thing is done for them.

"The Ford plan is to give the man the money so that he may buy for himself the commodities and comforts suited to his particular needs. Nice in theory, but it doesn't work out in practice. . . . I never found an employee who appreciated the 'investigation' of his home conditions, etc. To the intelligent workman the system seemed to have been planned to 'rescue the fallen' and to take it for granted that all workmen were in that category. Of course, the investigator is expected to smooth out that misunderstanding. The man considers that he gives his services for a reward, and if the employer likes to go further and give him a share of the profits he will appreciate it. But as to what he does with the extra money and how he behaves toward his family, he will tell you that in France the 'employers don't interfere with such matters.'

"Many of the forms of insurance, and such public institutions as libraries, features so prominent in the life of an American or an English city, are either non-existent or out of the reach of the French workman, and to give him the money to buy such advantages is as useful as giving him a dollar to buy soda-water in the Sahara Desert.

"So long as a firm like the Ford Company pays exceptionally high wages for the unskilled labor which it utilizes, there is little fear of labor trouble."

Mr. Deason says that something like profit sharing in France might be carried on successfully "on these lines" (which, as neither stock nor cash dividends are mentioned, can hardly be recognized, under even a loose definition, as "profit sharing lines"):

1. Assisting the wage-worker in case of sickness.
2. Providing expenses in case of death in his family.
3. Covering him and his family in some form of block insurance.
4. Providing him with an annual holiday without loss of pay.
5. Establishing a savings bank.
6. Providing for an old age pension—additional to the usual government pension.



At a Congress at Bordeaux in 1912, M. Paul Delombre, President of the French Profit Sharing Society (and formerly Minister of Commerce, and Minister of the Post and Telegraph Service), explained concisely the French idea for the betterment of relations between workmen and their employees by means of profit sharing:

“It must be a supplement to the salary and yet not encroach on it, the normal salary being the basis upon which the share of profits should be calculated. Profit sharing is not in any way a liberality on the employers’ part. It is an exchange for services. It creates a closer feeling between employers and their workpeople, who become as it were sharers in the prosperity of the business. The feeling of responsibility makes for peace in the workshop. And of all the methods so far tried for preventing difficulties and strikes, profit sharing and the improvement of the social condition of the workers have been found the most effective.”

## EXPERIENCE IN ENGLAND.

While in England there are over 12,000,000 persons engaged in gainful occupations in which profit sharing in some form may be possible, the "Report on Profit Sharing and Labor Co-partnership in the United Kingdom," issued by the British Board of Trade in 1912, giving the history of every attempt at profit sharing in England from 1829 to 1913, stated that the net result in that period was that 299 plans were put into operation. Of these, 163 had ceased to exist when the report was published. The remaining 133 employed 106,189 persons, of whom a large number were in the employ of public utilities, 28,246 being employed by gas companies.

The best known case of British profit sharing, frequently described as an example of all the possibilities in the system, is that of the South Metropolitan Gas Company, London. It was after the sliding scale system for the price of gas was authorized by the government, to harmonize the interests of the consumer and the shareholder, that Sir George Livesey, chairman of the South Metropolitan directors, in 1889, introduced profit sharing in the company. According to the company's scale at that time, when gas cost 3s. 1d. per 1,000 cubic feet, the shares could receive 4% interest, and for every 1d. that the price of gas was reduced the rate of interest could rise by 2s. 8d. per £100. The company thereupon arranged that for every fall of 1s. in the price below 3s. 1d. a dividend on wages should be paid of  $\frac{3}{4}\%$ . If gas cost 2s. 7d. capital might have 4.8% and labor  $4\frac{1}{2}\%$ . While there has been no deviation from the principle in the sharing of the profits, there have been changes in the proportions favorable to the workmen. In 1910, a requirement was made by the company that the entire dividend going to an employee should be left in the company's hands to accumulate at interest or to be invested through the trustees in the company's stock. Previously, one-half of an employee's share was withheld and invested in the stock, while the other half might be withdrawn on a week's notice.



Practically all the employees of the company, whether permanent or winter workers, are now profit sharers. They sign agreements to work for the company for six or twelve months, and the company guarantees them employment for the same period, during which wages are not to be lowered. Usually a worker may leave the company for any ordinary reason, such as to take up better paid work elsewhere, in which case he may sell his stock to the company. For the ten years before the war, labor's average profit, in shares, was 8.2%, or four weeks' wages. Of the company's £9,250,000 capital, the employees hold shares representing more than £400,000.

The introduction of profit sharing in the company's plant met the obstacle of a strike by the gas-workers' union, but in the 30 years of its practice of the system since the company has had no dispute with any of the unions. Its ban on union gas-workers was removed in a year or two after the strike, and from the first it held the works open for union bricklayers, carpenters and other skilled workers.

A usual comment on the success of profit sharing by the Metropolitan company, and other gas companies which have since adopted the principle, is that the way to profits is usually sure in undertakings which have a monopoly in the stable supply of an essential to a community at a rate having slight variation in price. In such case the profits going to the employees represent the outcome of both team and individual efficiency. In the elements of the efficiency, many points count for good—the workers' regular employment, habits of steadiness, improving skill, watchfulness for economy, the qualities of thrift applied generally throughout the works.

Other types of British methods in profit sharing are seen in the following:

The plan most heard of in America, aside from those connected with gas-works, is that of Lever Brothers, Ltd., soap manufacturers, Port Sunlight, near Liverpool. The firm calls their method a "co-partnership" trust. Partnership certificates, of a total value of £1,000,000, may be allotted to those of the employees considered desirable partners who are 22 years of age and have been with the firm four years. Beginning in 1909, the issue of these partnership certificates

amounted January 1, 1918, to £751,536, the "employee partners" of the firm's associated companies numbering 5,066. In the nine completed years of the co-partnership there had been distributed to employees, in co-partnership dividends and "prosperity sharing," £487,353.

Certificates are issued to employees in proportion to wages or salary each year. The allotment is based on value of service. The "slacker and ne'er-do-well" receives nil, the "apathetic" from 5 to 10%, and the enthusiastic, appreciative and responsive above 10%, with special allotment for unusual services or helpful suggestions. For certificate distribution the working staff is divided into classes—directors and managers, foremen, salesmen and general staff. Co-partners receive certificates each year until a maximum holding is reached, which ranges from £200 to £3,000, according to annual earnings. Dividends are paid in 5% "cumulative 'A' preferred ordinary shares," which the holder can sell at any time for cash at par value. "Co-partnership couples up loss sharing with profit sharing. If a man has acquired co-partnership certificates and if profits should cease to be earned, he would suffer equally with capital in loss of the dividends." The granting of certificates does not in any way interfere with the old age pensions of the firm.

J., T. & J. Taylor, Ltd., woolen manufacturers, Batley, have 1,300 out of 1,900 workers as co-partners who own more than half the capital of the company. In their dual capacity as shareholders and profit sharers these co-partners draw over two-thirds of the profits of the company. In the 22 years 1895-1916 over £180,000 was distributed to the workers under the plan of the firm. In 1897-8 there were no dividends. In the other years the "bonuses on wages given in the form of shares" ranged from 3% to 12½%. In 1915, however, 5% was in shares and 7½% in 5% exchequer bonds. By the plan 5% is paid as a first charge to capital and then for every 1% more that can be paid to capital 1% goes to dividends on wages. The holders of the bonus shares do not possess the right to vote at shareholders' meetings.

Armstrong, Whitworth & Co., Ltd., conducting one of the largest foundries and iron manufacturing establishments in



Europe, afford an example of profit sharing combined with investment in capital. Deposits may be made by the wage-workers of sums ranging from 1s. to £1 up to a maximum of £200. Weekly deposits of £2 may be made by the office staff, mounting to £400. Deposits are guaranteed a first interest of 4%, but receive in addition a bonus, the total not to exceed 10%.

Clarke, Nicholls & Coombs, Ltd., "sweets manufacturers," London, have worked a profit sharing plan for 26 years, distributing to its employees from £1,400 in 1890 to £12,000 in 1915, the total being more than £218,000, or a yearly average on wages of about 13%. The profits accruing on the wages of employees working less than one year or failing to fulfill other necessary conditions of employment are carried to a provident or superannuation fund, which now stands at more than £40,000. In the busy season more than 3,000 wage-workers are employed. The bonus is given in cash, but encouragement is held out to the work-people to acquire shares, in which their holding is considerable.

E. S. & A. Robinson, Ltd., stationers and printers, Bristol, share profits with more than 1,700 employees. The dividends, in cash, run from two and one-half to three and three-quarter weeks' wages. Seven hundred of the workers have deposited £20,000 with the firm at a current interest of 4%.

Maypole Dairy Company introduced profit sharing nearly 30 years ago and co-partnership 10 years ago. A part of each employee's share in increased profits is retained by the trustees for investment in the company shares. An employee receives his dividends while in the employ of the company, but should he leave he is paid half the value of his shares and the other half three years later, though the company may decide to give him the full value immediately. The company has more than 1,500 co-partner shareholders.

An exceptional plan was announced by William Gray & Co., Ltd., shipbuilding, West Hartlepool, last year. The firm proposed setting aside 20% of its total profits for division among its workers, the amount to which each employee should

be entitled to be based upon his earnings, exclusive of overtime and on the period of employment and on not having lost more than 12 days' time in the year. The provision with regard to strikes states that time lost by reason of a general or district strike, whether authorized by trade unions or not, shall not be considered time wilfully lost. While there is no reference in the plan to breach of an agreement with employers generally, it would therefore seem that the workmen may strike in defiance of their own unions and in breach of their agreements and still qualify and share in the profits.

England has had examples of municipal profit sharing since 1900. The town of Stafford has a plan in connection with its municipally owned services of gas and electricity. In 1916, £1,066 was distributed to the gas employees, equaling 11.6% on the wages paid. In the electricity department the dividend reached 15% in 1915. Several other municipalities give bonuses or otherwise supplement the pay of employees.

The co-partnership movement of Great Britain, a step beyond simple profit sharing, mainly affects gas companies and productive co-operative societies. In a memorandum submitted to the government's Reconstruction Committee, 1917, the Labor Co-partnership Association thus justifies its title: "Our ideal (we do not suggest that it is immediately capable of full realization) is that every worker should be interested in the profits and should become a part owner of the capital."

Among the gas companies, the leader in co-partnership has been the South Metropolitan. Its arrangements in 1889, as described above, for accumulating the workers' share of profits in the capital of the business were later extended to the admission to the board of directors of three of the employees, elected by the entire force of workers, and the recognition of a committee of 54 employees who should look after the men's interests, arrange for a conciliation board, deal with social matters, inquire into accidents and take care of the provident fund. During the war this committee had charge of the pensions and allowances to the dependents of service men. In its entirety, this scheme of profit sharing and taking a gradually increasing ownership in the plant, together with



labor's representation in the board of directors and its control in works discipline and order, all with the purpose of satisfying reasonable demands of the manual workers, is "labor co-partnership."

Thirty-seven other British joint stock gas companies operated in labor co-partnership follow the system of the South Metropolitan. The holdings of the 25,000 to 30,000 employees of the 38 companies which in all are capitalized at over £55,000,000, are approximately £1,000,000, and the total of the profits employees have drawn amounts to £1,500,000.

From co-operation to co-partnership has not proved a short and easy step. In Britain the term "co-operation," in its commercial sense, refers to a working-class movement having as its first purpose the absorption of the usual profits of dealers by organized buyers of commodities for personal consumption. A further move is the co-operative production of such commodities, usually carried out through combination of the co-operative "distributive" organizations. There are also co-operative associations of workers.

At the end of 1917 there were at work in the United Kingdom 1,465 industrial co-operative societies, with an aggregate membership of 3,831,896; a total share, loan and reserve capital of £81,770,273; a total trade (distributive and productive) of £272,746,849; and a total profit—before deduction of interest on share capital—of £18,023,879. Compared with 1916 there was an increase in membership of 268,127, or 7.5%; in capital of £3,832,537, or 4.9%; and in trade of £35,221,714, or 14.8%. The profit, on the other hand, showed a decrease of £934,509, or 4.9%. The total number of persons directly employed by the societies was 156,945, and the total wages paid during the year amounted to £11,611,976, compared with 154,622 employees and £10,391,245 in wages in 1916.

While some of the societies are engaged only in distribution and some only in production, others are engaged in both distributive and productive operations. Of the total 1,339 retail societies, 132 employing 15,255 persons and paying wages amounting to £1,096,565 in their distributive departments, allotted out of the profits a total of £43,425 to their employees as a bonus on wages, this being equal to 4%.

In 1917 there were 1,108 industrial co-operative societies of various types engaged in production, consisting of 985 retail and two wholesale distributive societies having productive departments, and of 121 associations for production only; these consisting of four corn-milling societies, 39 bread-making and other consumers' societies, and 78 associations of workers. The total number of persons employed by these societies was 56,169, the amount of wages paid during the year £4,567,288, and the value of productions £55,786,431. Of the 56,169 persons employed in production, 43.3% were men, 36.5% women, and 20.2% were young persons under 18 years of age.

A total profit of £908,887 was made upon industrial production by societies other than retail societies, the profits of the latter being merged in the general profit and therefore not separately ascertainable. Of this total £516,617 was made by the wholesale societies, £3,882 by the corn-milling societies, £149,274 by breadmaking and other consumers' societies, and £239,114 by the associations of workers.

Of the 1,108 societies engaged in industrial production, 126, employing 10,432 persons in production, with wages amounting to £823,689, allotted a sum of £51,110 to these employees as a bonus on wages, this being equal to 6.2%. Of the total amount £10,162 was allotted by 81 retail distributive societies, £7,533 by three consumers' productive societies, and £33,415 by 42 associations of workers.

Sixty-nine of the 78 associations of workers for production, with sales amounting to £3,227,210, or 99.2% of the total sales of the associations at work in 1917, made returns showing the extent to which their employees and others shared in the membership, capital and management of the associations. The returns showed that the total membership of the 69 associations was 25,279, of whom 4,819, or 19.1%, consisted of employees; 15,884, or 62.8%, of other individuals; and 4,576, or 18.1%, of other societies. Of the 7,254 persons employed by the associations, 4,819, or 66.4%, were members of the associations employing them.

The total number of directors or committeemen of the associations was 660, of whom 274, or 41.5%, were employees of the associations; 255, or 38.6%, were other in-



dividual members; and 131, or 19.9%, were representatives of other (shareholding) societies.

Among the productive co-partnership societies two of the largest are in ready-made clothing, the Kettering, with 957 workers, and the Wellingborough, with 831. The Co-operative Printing Society, with offices in London, Manchester and Newcastle, employing 454 wage-workers, for the half-year ending March 31, 1919, paid as bonus on wages £1,331, with a contribution to its employees' thrift fund of £347; a special grant to soldier employees of £331; one to the benevolent fund of £2,000 and allowances to employees in military service of £872.

As the gas companies give their employees more than £60,000 a year in profit sharing, the total annual yield to the wage-workers by labor co-partnership reaches £110,000. The significance of radical laboring class co-operation linking up with the stockholders of monopolistic municipal utility companies is dwelt upon by idealist supporters of the joint movement.

### BRITISH TRADE UNION OPPOSITION.

In 1865 Henry Briggs' Son & Co., owners of the Whitwood Collieries in Yorkshire, set up profit sharing with the avowed purpose of detaching their wage-workers from trade unionism. The plan, apparently successful for about eight years, the total bonuses on wages amounting to £40,000, broke down in 1873, when the workers went on strike against a wage reduction and the firm abandoned its profit sharing.

Ten years ago the plans of Sir Christopher Furness for profit sharing attracted attention. He proposed the principle for the Wingate Collieries and also tried it for a year through the Irvin Shipbuilding and Drydock Company at the Hartlepool. In a speech to the employees of the Wingate Collieries, in which he submitted the particulars of his proposed co-partnership methods, he said:

"1. While the board of directors will retain for the officials of the company full power to employ men as the circumstances of the moment may determine, the general conditions of working and payment accepted by the miners' union will be duly recognized. On the other hand, it is well that it should be understood from the

beginning that, in view of the advantages in which employees engaged on the colliery will certainly share, as well as other benefits that may possibly accrue to them, our officials will be under strict injunctions to see that only men of capacity and industry, discreet conduct and sober habits, and regularity in hours, shall be retained in the service of the company.

"2. Every employee—whatever his status (for according to my standards, laborers have rights equally with other members of the working class community)—every employee, I say, becomes a member of the co-partnery by signifying assent to its principles, and by acquiescing in the regular deduction of 5% from his pay until the shares to be allotted to him, and which he must apply for, are fully paid, thus enabling him to acquire his holding by gradual instalments; and no employee can continue in the service of the company for more than three months unless he becomes a co-partner.

"3. The labor co-partners—who in other respects will be as the workmen of other collieries in the county of Durham, not forgetting the legal rights conferred on employees by the workmen's compensation act—will participate to the extent of their share holdings in such profit as may from time to time be paid in dividends by the company. Large and small shareholders alike will be placed on precisely the same footing.

"4. The control of the company's affairs will be vested in the board of directors, and no one but the management will possess authority to discharge as well as to engage workmen, with responsibility to the board alone. Alongside this form of administration, however, there will exist a colliery council, composed equally of representatives of the directors and representatives of the employees, which body shall become the repository of information of importance or interest that may be communicated without injury to the company's welfare, shall have power to investigate and bring efforts of conciliation and persuasion to bear upon matters that may come into controversy between employees and employers or their representatives, and shall be entitled, by majority vote, to make representations and offer counsel to the board in matters directly relating to the working arrangements and conditions associated with the colliery. Furthermore, the representatives of the employees would possess the privilege of summoning to meetings of the council, whenever their advice was desired, the officials of their trades unions, who would be entitled to elicit information and to address the council on the subject occupying its attention. But these are points of detail which can be settled in conference subsequently,



should you and your fellows resolve to co-operate in the execution of the scheme I am now propounding to you.

"5. The above outlined arrangement, alike in its parts and in its entirety, is subject to the cardinal and supreme condition that in acquiescing in it the co-partners, while accepting the hours, wages and other conditions of labor actually secured generally by the employees' trades unions throughout the country, which shall govern this compact, agree to substitute, on the one part for that barbaric instrument the strike, and on the other part for the equally out-of-date instrument the lock-out, conciliation by the colliery council, or, this failing, arbitration by a court of representatives of employers and employees and presided over by the county court judge of the district or his nominee, the chairman of such court to be regarded in the last resort as final arbiter in all matters of dispute.

"There, in substance, you possess the elements of the proposition I submit to you for your consideration, and I am not without hope that, in the end, you will concede that the conditions are reasonable and just, and well calculated to produce the results which we must all desire."

The plan was submitted to the miners' union and rejected by them, and in advising Sir Christopher Furness of the action of the meeting the chairman wrote him:

"In connection with our meeting on Tuesday, June 22, to consider your 'co-partnery scheme,' we had a representative from our executive council at Durham, and after careful consideration of the above they advised us to have nothing whatever to do with the same."

This incident is of more than passing interest when it is considered in the light of the then existing friendly relations between Sir Christopher Furness and the labor interests. Some months previously he had devised and put into operation a similar plan at the shipbuilding yards of the Hartlepool company, with which he was identified.

In that particular instance the co-partnership scheme had its genesis in the severe labor struggle in the shipbuilding industry on the northeast coast of England and on the Clyde in 1908. The proposal for the extension of the system to his coal mining industry did not have its origin in strife but rather in the fact that his experiment at the shipyards was proving to be an unqualified success. Notwithstanding the success of this scheme from the point of view of both the em-

ployer and the employees, the latter voted to discontinue the plan at the end of the year.

This remarkable action on the part of the employees is thus explained by Ralph M. Easley:

"A few years ago I spent a night at the home of Sir Christopher Furness, who had worked out a most comprehensive and, to my mind, fair and sane scheme for profit-sharing. As most of the men in his shipbuilding yards belonged to the unions, he started out by insisting that all the employees should belong to a union and he thought the union officers should be represented on the board of directors of the shipbuilding plant where he was making the experiment. He had just completed the first year of the plan and was quite delighted with the outlook for its success.

"The night before I went out to his place, however, I had been in the House of Commons and had there met twenty-five of the labor members of Parliament. Nearly all of these men had been guests of The National Civic Federation when Mr. Alfred Mosely brought them to the United States the year before, at which time we sent them all over the country. Included in the number was Mr. Barnes, the head of the Engineering Society. I told Mr. Barnes that I was going to see Sir Christopher Furness, who had invited me to visit him and talk over his profit sharing scheme, and I asked him what he thought of it. Mr. Barnes answered: 'There are eleven hundred of our men employed there and they are all for it; but I am against it.' I said, 'That's a remarkable situation. Why are you against it?' This was his reply, and I think it represents in a nutshell the view of the entire organized labor world: 'If all the employers in England were as fair-minded and as decent as Sir Christopher Furness, there would be no use for the unions and we could afford to disband; but, unfortunately, all employers are not of his type and, if we should disband to-morrow, we should, under economic pressure, gradually drift back to where we were twenty-five years ago, or worse. Now, if we are to exist, we must have members and those members have to pay dues. If those members come to think that profit sharing is going to take care of them, then they are not going to pay dues and the organization, as a result, would go out of business, and there you are.'

"Now, however selfish some persons may consider that position, those of us who believe that the unions are performing a great service to society in helping to improve the conditions of the working man must face one of two alternatives. We must either accept the view that in fight-



ing for the life of the trade union they are doing a worthy thing and ought to be supported, or the view that it would be better for the wage-earning class, as a whole, to 'smash the unions' and take a chance on the generosity of the employers to see that the wage-earner receives his full due.

"A few months later the whole scheme of profit sharing in Sir Christopher Furness's shipbuilding yards came to an end, for the reason that Mr. Barnes had persuaded his men to decline to renew the agreement.

"Those who would 'smash the unions' (and I do not mean that in an offensive way) must realize that organizations of labor are increasing in strength and not decreasing."

## PROFIT SHARING; TRADE UNIONISM; LABOR CO-PARTNERSHIP.

J. W. SULLIVAN.

[Mr. Sullivan is a member of the International Typographical Union; general lecturer for the American Federation of Labor; has followed closely the progress of co-operation for more than thirty years; was the only delegate from America at the second International Co-operative Congress in Paris in 1896; has a large collection of reports and other works relating to co-operation, profit sharing, and co-partnership; for many years, as an exchange editor, has kept abreast of the movement through reading the co-operative periodical publications; in the course of more than five years' residence in Europe has met the leaders in the co-operative and co-partnership movements of various countries; and in America has from time to time investigated numerous attempts at co-operation.]

(1916) Profit sharing, as commonly used, is a meaningless term. It conveys no settled signification. It refers to no fixed and definite economic principle.

As carried on, especially in America, so-called profit sharing methods have ranged from plans established by self-denying philanthropists to plans put in force by selfish men actuated solely by avarice. Hence, in general, the methods have been irreconcilable with any uniform system; they have not been reducible to a consistent classification.

The various notions which pass under the term profit sharing have been put before the public by employers; they have rarely been the results of desires expressed by employees.

The social design represented in profit sharing may be as far apart as autocracy and democracy; in practice it is generally autocracy. The employer takes upon himself certain rights, duties and responsibilities similar to those that pertained to the feudal lord.

The motive varies. It has been simply the promotion of workshop efficiency; it has been advertising; it has been war on trade unionism; it has been good fellowship, personal and



direct; it has been uplift for the working classes, impersonal and remote.

As the systems have varied in intention, so they are carried out in practice only to the point decided upon by the employer. In one case the employer pays from year to year to each of the various grades of his employees a predetermined share of the profits. In another case, the division is made among selected individuals, the amount changeable at the employer's will. Whatever the percentage, the inclusion or exclusion of variable items among the fixed charges affects the statement of profits. Difficulties in this respect are the amounts to be allotted to depreciation of plant, to the losses of unprofitable years, and to the expected regular return on the capital invested, usually a percentage much above current interest.

When the aim is merely higher efficiency, profit sharing is but a distribution of gains accomplished through a more compact and better greased mechanism. It is but a bonus, based on the sum of the wages drawn. It may be only an annual make-up of withheld wages. When the aim is not simply efficiency, the profits to be shared may possibly be a benevolent addition to wages. The test of value to the workman in either case is whether the advances equal those ordinarily obtained through trade unionism.

In America a noteworthy fact has been the large number of experiments reported as profit sharing which have passed out of existence. Many of these ventures, viewed from subsequent developments, are to be seen as sordid publicity schemes. Twenty years ago—and before that, thirty to forty years ago—profit sharing as an economic betterment was the subject of much newspaper coddling, some houses in New York with buncombe profit sharing features courting extensive Sunday magazine fame. More than one champion in that frothy movement perished of impudent dishonesty. In some cases, it is true, the originators died, in others they ceased their connection with the concerns interested, and in others again new managers brought a reversion to the straight wages practice. Instability in the personal composition of management has militated against profit sharing taking a recognized place on a large scale as a permanent economic institution of social value.

Uncertainty is a disturbing factor in profit sharing—uncertainty as to whether there are to be profits from year to year, uncertainty as to what the profits actually may be in any one year, uncertainty on the part of the employees as to the employer revealing his true profits, uncertainty as to the settled proprietorship of the establishment. In these uncertainties, it is seen that the interests and expectations of a force of laborers are constant—the highest obtainable level in wages, hours and working conditions,—while the purposes of coming and going employers are variable, including selling out either at a sacrifice or a boom profit.

In this unsettled profit sharing there usually can be no definite hand-in-hand partnership of labor and capital. The two interests work strictly apart, each in its accustomed sphere. Capital sees an opportunity, undertakes an enterprise, buys site and plant, decides upon the scale of production, manages the workshops, watches the market, pushes sales, enlarges or diminishes the works, runs the risks—in all respects making the mistakes or supplying the strokes of talent that count in management. The industrial wage-working employee, while supplying the essential factor of more or less skilled manipulation of matter resulting in concrete production, projects no effort into the field of plan, production, purchase and distribution.

A manifest weakness in profit sharing is the legitimate disinclination of employers, especially small employers, to reveal the scale of their profits, probably to be made use of by competitors, money lenders and taxers of every description. Low profits may at times show up an employer as a blunderer; high profits may induce the advent of unwelcome rivals. A showing of scant profits may affect him detrimentally with his bankers or injure the advantageous sale of his business.

From the point of view of the wage-worker, the dubious points of paternal profit sharing are numerous. Of course, if the annual dividend comes simply in the form of cash with no string to it, the windfall may be unobjectionable. The two sides are quits. But the increase in pay to the fortunate ones—fortunate in case they already enjoy prevailing wages—is generally accompanied with intensified supervision, irritating interference and a humiliating patriarchal domination.



Added thereto may be a discipline extending beyond the legitimate jurisdiction of the factory and the purely commercial relations usually existing between two sides of bargain makers. The first query on behalf of the wage-worker is the level of pay from which the profit sharing begins. All told, what is paid may be only a miserable substitute for standard wages. A scheme taking in only foremen and superintendents, each expected to make a record, results in sweatshop slave driving. Taking in an entire force, the purpose may be a general bribery to keep out of labor organizations. The avowed co-operation in profit sharing must be subject to proof in every case, but the straight wages system brings a sufficiently definite and satisfactory cohesion of capital and labor, with every man on each side knowing at all times just where he is. A mutual forced dependence may prove more irksome and less human than a mutual independence.

As one effect of professed profit sharing, the wage-worker sees ramifications of pace making. Within the workshop the best awards go to the foreman most exacting and the workman most selfishly active. Piece-work, overtime, unfair allotment of tasks here become features of administration. Various occupations have their peculiar forms of pace making. A workman may be a pace maker as to speed and as to ingratiating subserviencies. The toadies and time-servers lead to degeneracy of manhood. Their reward is a preferment—the easy situation and the steady work. Straining for efficiency in a profit sharing establishment may become a species of pace making of the entire force, as against the organized men of a straight wages establishment. Scabbing may be practiced by institutions as well as by individuals.

An unfulfilled promise of profit sharing is the benefit to employers from “loyalty.” It is assumed that the steadiest and most tractable mechanics are the best paying hands. Wage-workers know that in numerous cases this is not the fact. Physical endowment, nervous force, an active intelligence, mechanical aptitude, excellence in expert work, a general knowledge of the trade—these qualities frequently characterize the workman who occasionally takes time for himself or goes off to fields afar. His nature is adventurous, unrestful, explosive. He is the first to go to war or to try out schemes of his own. He is a self-speeder, a live wire in a

gang, a disseminator of ideas helpful to an industry. He is the knowing commercial traveler in his occupation. On the other hand, the model "faithful old employee" not infrequently is but a plausible "old soldier." The rule of not admitting an employee to the profit sharing under several years of service is a discouragement to a considerable mass of valuable workmen. These will naturally earn their weekly pay and when inclined move on. About one-third of our manufacturing wage-workers are not regular hands, a proportion established as much by the restlessness of the workers as by fluctuations in the amount of work. Profit sharing takes little account of this important third. A statistical disclosure of the number of men quitting profit sharing establishments directly after annual dividend payday would tell enlightening tales regarding contentedness, the general level of wages, and the validity of loyalty when the wage-worker has at length the withheld wages of the year in his pocket. A statistical statement of the number of strikes against profit sharing employers might reveal truths both as to wages and "loyalty."

Is the relationship between employer and employee under profit sharing so sweetly and pleasantly ethical? Of a certainty, reputed profit sharing employers have been open to the charges of pretense, hypocrisy and perversion of principle. The employer assuming to share dividends may, through the laborer's increased effort, actually advance a step in skinning; the straining and anxiety of the laborer reaching for the prize dangling before his eyes may result in a greater prize going to his employer. Plainly, a hypocritical employer, posing as a model profit sharer, may be actuated by a thinly veiled cupidity.

The inside facts must necessarily be a matter of study with the employees of each profit sharing establishment. They know, when the motive of the employer is "efficiency," that time may disclose persistent greed or perhaps a strenuous effort to make a precarious or parasitical venture pay; they know, when it is anti-trade unionism, that they themselves are awaiting a possible day of reckoning; they know, when it is vanity, how heartless and ridiculous is the employer.

Trade unions, for good reasons founded on knocks, do not advocate profit sharing. They place the system under no total indiscriminate condemnation. They do know that the



idea is distinct from the union principle; their criticism may be disarmed if the profits paid are through decades supplementary to unionism. A major point with unionists is that profit sharing, as developed in sporadic examples, has had no effect in the elevation of the whole mass of the wage-workers. It has not been a part of the world-wide labor movement. Where practiced, it has in many ways narrowed the workman's social vision. He has seen no further than his own workshop; he has concentrated his mind on his own immediate well-being; he has not been encouraged to attend the assemblies, to take part in the discussions, to subscribe to the literature, to imbibe the spirit of labor organizations, all of which have led to independent working-class social and economic activities. The effects of the voluntary inclusive association of all the workers of his occupation have been beyond his mental horizon.

The advances in welfare of the great body of our nation's industrial workers have come in the form of the shorter workday and the higher wage. Not until long after union achievement in this field have profit sharing employers had any noticeable part in preaching the eight-hour day, while the rates they have paid, plus the profits they have shared, have usually been surpassed by the advancing union scale. The propaganda by profit sharing employers of their principle in the various industrial nations during the last half century has not brought under its influence 5% of the wage-workers in any country; the propaganda by the trade unions of their principle has brought to them in the same period the mastery of the labor market in many industries in every country.

Trade unionism aims to claim, as a right, from the nation's annual production what it believes to be labor's share. Profit sharing sees the master alloting an award, as he might to his servant. Even if it be conceded that the employer acts from the praiseworthy motive of generosity, or of fellowship, or of transforming an unjust to a just society, the case remains that of the strong condescending to aid the weak.

The union spirit appeals to the vast majority of the wage-working classes for the reason that a labor organization initiates and backs up, both to employers and to society in general, proposals which embody the workers' aspirations. These contemplate economic conditions in the large, aim at

the control of labor's side in the sale of labor's power and seek social benefits beyond the bounds of any single industry. The union has an influence on general conditions, through education, agitation, legislation. It reaches out to protect the weak—the women and children—everywhere. No social reform is beyond its purview. Compared with a broad survey of the functions and purposes and achievements of trade unionism, what profit sharing has actually done shrinks to pitifully petty dimensions. Granted its every claim, it has been an inconsiderable branch of assisted thrift, usually contingent in practice on the changeable will of a mutable power.

To the sincere employer, desirous of improving the welfare of his employees, any project for profit sharing presents a difficult problem. In some exceptional establishments, such as gas-works, turning out regularly a single product with a certainty of its entire sale at a fixed price, profit sharing has now passed well into a satisfactory experimental stage, but the obstacles to benefiting the employees of all grades by profit sharing in occupations generally are obviously so numerous as to shut out an occasional successful method, evolved in unusual circumstances, as a model for a system or as the triumph of a principle.

On the whole, the outcome in the countries of our civilization in which profit sharing has been preached for seventy years, and been the subject of an amount of favorable comment enormously disproportionate to its results, employers may be well advised before taking up with it to study in fairness the aims and efforts of trade unionism as a world-wide movement. The moral and commercial atmosphere is cleared when the employer pays prevailing wages for trade union hours, maintains good working conditions in his establishment, and recognizes that in the labor market he is inevitably on one side, that of the buyers, while the employees are just as surely on the other, that of the sellers. The correct relations of employer and employee may in these circumstances become fair play, mutual respect, recognition of reciprocal rights and duties, the whole leavened with average honesty, good nature, and kindred sentiments of humanity. Acting with a wisdom founded on experience, the two sides thus set up what is tantamount to a practical and paying co-operation. In the standard literature relating to profit sharing in leading



countries the well defined and unmistakably just point of departure toward idealistic aims is recognized as being from conditions established by the trade union.

Labor co-partnership begins at this stage. In theory a transformation from capitalistic enterprise to the association of capital and labor in mutual effort, it usually begins in practice as an extension from genuine profit sharing, "enabling the worker to accumulate his share of profit in the capital of the business employing him, thus gaining the rights and responsibilities of a shareholder." A further step is provision "for a direct share in the management as well as in the profits." A leading British writer on labor co-partnership says that the best safeguard of wages "is the free play of trade union principles, and any firm which refuses to recognize the conditions generally observed in the trade puts itself out of court as a profit sharer." Another writes, "I am going to repudiate the idea that co-partnership is a substitute for, or in any way is antagonistic to, trade unionism." "You cannot say you have given the worker a profit unless he has first had the standard wages for his service. Co-partnership, therefore, assumes a standard wage. The standard wage again assumes organization to maintain it and to raise it. It assumes the existence of trade unions, collective bargaining, and the meeting of capital and labor upon equal terms."

In Great Britain the labor co-partnership movement stands entirely apart from the establishments that profess only profit sharing. Its principles are promoted by an educational, advisory and propagandist organization. This body works by means of lectures, conferences, literature and correspondence. It has a monthly organ. It drafts plans to meet the special conditions of each business, gives legal advice bearing on co-partnership and cognate subjects, drafts rules to meet the special conditions of each experiment, and has representatives to explain the principles to groups of employers and employees.

Excepting 36 gas companies, the British Labor Co-partnership Association is made up of businesses established (with two or three exceptions) by workingmen. Of these, there are 110, with a capital of nearly \$10,000,000, having an annual trade of more than \$20,000,000 and a dividend on wages of \$150,000. In the gas works more than 22,000

employees are under agreement for profit sharing or co-partnership and the market value of their shares and deposits is \$3,350,000.

In commenting on these facts, a vice-president of the association says: "I ought perhaps to emphasize the distinction between co-partnership and profit sharing. The latter is a necessary element in the former, but only one of two, the other being capital-owning. Where a capitalist pays his workers a share of the profit they help to produce, that may be an excellent thing, according to the object sought by it and the system on which it is done; but many regard facilities for capital-owning by the employee in addition to participation in profits as being essential to co-partnership."

"Owning collectively the tools they use," says a writer on co-partnership, "the workers gain the sense and dignity of possession." "Possession has a strong educative influence; it lifts and elevates the mind of the employee, gives him a new interest in life and broadens his outlook on public affairs, strengthens his grit and character, and makes him a better citizen." The same writer says that the establishment of co-partnership societies has been followed in a short time by a rise of wages in the particular trade involved, by the employees taking prominent positions among trade unionists, and by conditions generally in the trade being improved.

Some observers have seen something of a parallel in co-partnership and syndicalism. But the movements are distinct, both in means and finalities. Co-partnership aims to absorb what share of industry it can through peaceful and legal measures—contract, compensation, step-by-step education of labor in business and co-operative methods. It but seizes legitimate opportunity to place laborers with their own capital in the position now occupied by capitalists and laborers. The mere statement of the facts in this form separates the movement from syndicalism, which forbids contracts with employers, plans to master industries through the general strike, and then establish independent communist systems within an anarchistic society.

To the query why co-partnership, with its manifest social advantages, has not already become a great world-wide movement, the answer must lie in the shortcomings of human nature as at present developed. They form an almost insuperable



obstacle to all transforming social movements. Taken as a whole, the employing class is selfish; taken as a whole, the employed class is incapable—financially, technically, co-operatively.

The reader now has a sketch of the case for profit sharing and of that for co-partnership, regard for the interests of trade unionism being interwoven with each. Attempt has been made in this brief statement to outline the general movement toward voluntary participation, not only of profits but in business enterprise itself, to indicate the outcome of experiments sincere or otherwise, to tell the employer his most direct way toward making the employee really his partner, and to give the employee the information he needs in a study of a transformation of capital *vs.* labor into capital owned by labor, a change in which all his rights as man and unionist can be fully protected.

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